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WORLD NEWS

Leaders still divided on South Africa

A draft communiqué drawn up by a committee of 10 Commonwealth foreign ministers, including Britain, showed the gap between the UK and the other member-countries had not been bridged.

The final document will take account of fundamental differences on sanctions against South Africa. In contrast, Britain and its partners agree on action over the environment, but disagree on how it should be financed and the forum in which it should be co-ordinated.
Page 3

Hill released on bail

Paul Hill, the last member of the Guildford Four still in custody, was released on bail from the High Court in Belfast. Hill faces an appeal against his conviction and life sentence for the murder of a former soldier in Belfast 15 years ago. Home Secretary Douglas Hurd refused to reopen the cases of the Birmingham Six, jailed in 1975 for killing 21 people in bombings at pubs in Birmingham.

Suicide gunman kills two

A man with cancer given two weeks to live shot dead two people before killing himself when surrounded by armed police. Peter Crack, 30, killed a member of the Stockport Shooting Centre in Greater Manchester during target practice before driving to the home of another man and killing him in the street. Crack had attended the club about six times as a temporary member.

Ex-detective charged

A former detective was arrested in connection with an alleged £1m extortion threat involving contamination of Heinz baby food. The man, in his late 30s, was being questioned by officers of the Scotland Yard-based squad in which he used to work.

Pope ordains Russian

Pope John Paul II ordained Tadeusz Kondrusiewicz, the Soviet republic of Byelorussia's first bishop for 60 years, and hailed improving conditions for Soviet Roman Catholics.

Ozal set for presidency

Turkish Prime Minister Turgut Ozal was on course for the presidency but missed outright victory in first round voting. Opposition parties and some within his own party oppose his candidacy for what the constitution stipulates should be a non-partisan post.

Non-violence appeal

Nelson Mandela, jailed leader of the African National Congress, was reported to have appealed to his followers to refrain from violence.
Page 3

E Germany lifts ban

East Germany's Communist leaders lifted a ban on the radical Soviet magazine Sputnik and promised to relax controls on public debate and travel and to put more consumer goods in the shops.

Japan complies on ivory

Japan agreed to ban all trade in ivory, enforcing a decision by an international wildlife conference.

TV lights too hot for MPs

Many MPs have complained about the unsightliness and excessive heat of lighting used for the experiment of televising the House of Commons from next month.

Anthony Quayle dies

Actor Sir Anthony Quayle, 76, died at his home in Chelsea, south London, after a short illness.

Nuns' hens slaughtered

A flock of salmonella-infected chickens owned by nuns at a monastery near Daventry, Northamptonshire, was slaughtered by the Ministry of Agriculture. The nuns offered no resistance.

BUSINESS SUMMARY

Bond Corp turns in £469m loss

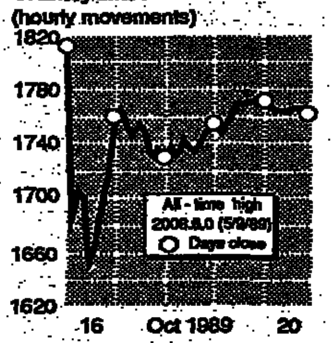
BOND CORPORATION, master company of beleaguered Alan Bond, the Australian entrepreneur, yesterday reported an attributable loss of A$980m (£469m) for the year to June.

The company insisted it remained solvent and said the loss reflected "dramatic changes induced by very different market conditions and several areas of particular difficulty." Page 22 and Lex

WORLD stock markets were in a mixed mood at the end of their most critical week since the crash of October 1987. In London the FT Ordinary index was down 11.1 on the day at 1,761.0, which was 54 below its close last week. In

FT Index

Ordinary share (hourly movements)



Tokyo the Nikkei average ended the week 1 per cent higher at 35,486.38. In New York mid-afternoon trading, the Dow Jones Industrial Average was up 0.61 at 2,683.81. Page 22 and Lex; World stock markets, Page 13; London markets, Page 15

NATIONWIDE ANGLIA, UK's second-largest building society, announced a partnership with the Guardian Royal Exchange insurance company. Nationwide will become an agent for GRE policies and GRE will acquire 29 per cent of the building society's estate agency. Page 22 and Lex

FERRANTI ISC: The Serious Fraud Office is to investigate the £185m suspected fraud at the UK electronic and defence group. Page 8

SANWA BANK, fifth-largest Japanese commercial bank, announced the biggest equity offering ever made by a banking group. It plans to raise Y350bn (£1.55bn) in new capital. Page 11

BARCLAYS BANK raised its mortgage rate by one percentage point to 14.75 per cent, the first clearing bank to do so since the latest rise in UK interest rates. Borrowers unbowed, Page 4

BURMAH OIL: Shares in the UK lubricants group rose 27p to 686p after an announcement that SHV, private Dutch industrial group, had raised its stake from 6.7 per cent to 7.5 per cent. Page 8

LIFE companies and building societies said they opposed plans by the Securities and Investments Board, UK investor protection body, that they should contribute to a compensation scheme for investors. Page 4

QINTEX ENTERTAINMENT, US affiliate of media group Qintex Australia, filed for bankruptcy protection. Chief executive David Evans and board member Roger Kimmel resigned. Page 10

APPLE COMPUTER, of the US, reported a fourth-quarter improvement in operating profits to $113.1m (£71m) from $107.9m. Page 10

BRITISH AEROSPACE is to sell 16 of its Hawk 100 aircraft and Vosper Thornycroft three missile-carrying offshore patrol vessels from its Southampton shipyard under a £250m arms deal with Brunei.
Page 3

BRITISH PETROLEUM sold its Australian interests to CRA, the Melbourne-based mining group, for $275m (£173m). This was the start of divestment of its worldwide coal interests. Page 10

United Airlines managers search for buy-out partner

By James Buchan in New York and Clay Harris in London

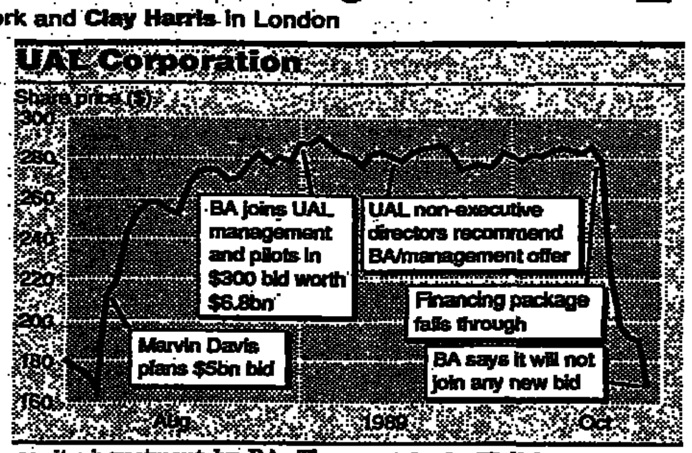
SENIOR managers and employees at United Airlines, the second largest US carrier, were yesterday feverishly searching for a new partner to join their planned buy-out after British Airways said firmly it would not participate in any deal "in the foreseeable future."

Management and representatives of the pilots' and flight attendants' unions were planning an intense weekend of talks as their advisers search for an airline or financial investor ready to put up funds for the tottering buy-out.

Wall Street was yesterday pessimistic about prospects for the highly leveraged deal, which have grown increasingly dim since lead banks revealed that they had failed to syndicate $4bn in buy-out loans, an announcement which sparked last Friday's collapse in US share prices.

Shares in UAL, United's parent company, dropped $23¾ to $166¼ in morning trading yesterday, compared with the $300 a share offer from the management-led consortium. The bid is worth $6.8bn but relied on bank financing and a $750m

UAL Corporation



equity investment by BA. The pilots and management are committed to put up only $215m in equity.

BA blamed turbulent markets for its withdrawal. Sir Colin Marshall, chief executive, said the move was not a negotiating ploy but refused to say how BA would respond if a new bid, perhaps including a European competitor, emerged for UAL.

"We really want to step back to see how things pan out and develop," Sir Colin said. "We don't know how long it's going to take for Wall Street to establish a new view of LBOs. It's certainly changed dramatically in the past few days."

Among the other factors which contributed to BA's decision were labour relations at United, where the machinists' union refused to join the buy-out, and the uncertainty about the US government's view of foreign airlines' role in the ownership of US carriers.

BA had planned to take a 15 per cent stake in UAL, well within the Department of Transportation's official limit

On Wall Street, professional takeover speculators were enraged and puzzled by BA's move. The arbitrageurs, who face losses of hundreds of millions of dollars, said it would damage relations between the two airlines and this could open the way for a competing carrier to buy into United at a lower price. BA has a marketing agreement with United. "The risk BA is taking is that they are going to infuriate these guys and the equity piece will go to someone else," one arb said.

Sir Colin said: "I don't think there are any hard feelings. We didn't trigger the collapse of the deal."

Moreover, one investment banker said he doubted the buy-out could go ahead even at $200 a share in the current climate of uncertainty about highly leveraged deals.

BA's participation was to be funded in part by a £320m rights issue of convertible bonds which closed yesterday. BA is expected to announce on Monday that shareholders took up less than half of the issue.
Background, Page 10; Lex, Page 22

Bank free-for-all fear led to UAL failure

By Stephen Fidler, Euromarkets Correspondent

THE FAILURE to assemble a $7.2bn (£4.5bn) bank financing for the UAL management buy-out was due in part to an arrangement which threatened a free-for-all among lending banks trying to reduce their exposure, international bankers said yesterday.

Although efforts continue to reassemble the buy-out which has collapsed in its original form, bankers said the lack of discipline inherent in the way the bank financing was being arranged by Citicorp, with Chase Manhattan as a co-arranger, contributed significantly to its failure.

Usual practice in the international market for bank loans is for large banks to agree to provide funds, and then attempt to redistribute this exposure to other lenders. This happens through a process known as syndication.

Banks being asked to join the UAL deal were told that they would have to syndicate their exposure on their own, which made some unhappy from the outset as it is not common practice.

Others, including Japanese banks whose non-participation finally led the financing to crumble, were said to have found that when they sounded out other banks to sell on their loans, Citicorp had already been there.

The potential that this would degenerate into a competitive free-for-all thus played an important role in banks' unhappiness with the deal but did not alone kill it.

With other worries, including the too-tight margins on the loans and worries that the proposed price paid for UAL was too high, bankers say it produced the result that sent the stock market into a tail-spin.

Unrest plays havoc with Soviet economy

By Quentin Peel in Moscow

THE SOVIET economy appears to have ground to a virtual standstill over the past nine months, with industrial unrest, and the dislocation of the old planning system, wreaking havoc with production targets.

The extent of the chaos permeating the economy was disclosed yesterday in a string of disastrous statistics published by the Government, in which the only significant increases were for the growth of money supply, the number of days lost in strikes and the rate of wage inflation.

Production of food, consumer goods and new housing starts all fell way behind the planned targets.

The only ray of light in the picture was a better than expected harvest figure, estimated at between 208m and 209m tonnes by Mr Nikolai Belov, the deputy chairman of Goskomstat, the state statistics committee. That is some 14m tonnes better than last year's figure, although still behind the 211m tonnes recorded in 1987.

The rest of the statistics showed a growth rate of gross national product still estimated at 3.6 per cent (against a target of 7 per cent) but with officially-admitted inflation now put at 2.6 per cent.

Non-government economists now put overall inflation at between 8 and 12 per cent, so the growth rate would appear to be stagnating, if not actually negative.

Some 7m working days were lost through strikes, with 2.3m in September alone, causing direct losses of some Roubles 700m.

Money incomes in the first nine months of the year rose 12.2 per cent, while productivity increased only 2.2 per cent.

The whole picture underlines why Mr Mikhail Gorbachev and his colleagues have sounded increasingly desperate in their speeches, and the political climate has become very tense.

Border barbed wire cut, Page 2

Olivier exits in a blaze of glory

by Michael Coveney

THE SUN blazed, the trumpets sounded and the bells of Westminster Abbey rang out across London at a noonday service of thanksgiving for the life and work of Laurence Olivier OM, Baron Olivier of Brighton, who died in July.

It was 84 years, to the very day, October 20 1905, since the first knight of the theatre, Sir Henry Irving, was buried in Poets' Corner in the Abbey.

The Dean of Westminster, the Very Rev Michael Mayne, declared that the ashes of Olivier would be laid next year alongside those of Irving and Garrick, beneath the bust of Shakespeare "within a stone's throw of the graves of Henry V and The Lady Anne, Queen to Richard III."

Thus invoking two of Olivier's greatest performances, the Dean made way for the professionals.

A stocky Albert Finney read sonorously from Ecclesiastes, Chapter 3. A dapper Sir John Mills read spiritedly from *Corinthians Chapter 1*. A radiant Dame Peggy Ashcroft recited vigorously the last 30 lines of Milton's Lycidas ("At last he rose, and twitched his mantle blue/Tomorrow to fresh woods, and pastures new"). And Sir John Gielgud, looking frail after recent illness, shook his fist at death in John Donne's Holy Sonnet and Hamlet's "we defy augury" prose speech.

The Abbey was at its finest and most superbly organised for this glittering occasion. The choir sang the heart-stopping arrangements by Vaughan Williams of Bunyan's Death Where Is Thy Sting passage in the Pilgrim's Progress and of the dirge in Cymbeline.

But the composer mostly represented was William Walton, Olivier's great friend and collaborator on the Shakespeare films. The London Brass and Abbey Choir, directed by Martin Neary, finally joined in a flashing, growling and spectacular account of Walton's Coronation Te Deum.

Olivier spoke thrillingly for himself in a playback of the St Crispin's Day speech from Henry V. But his show was nearly stolen by Sir Alec Guinness, who gave the address.

Musing dispassionately on Olivier's greatness, Sir Alec described the threat of danger that clung to Olivier, both
Continued on Page 22

Weekend FT

THE WOLF IS THROUGH THE DOOR

The arts seem to have been in financial crisis for years, but now the British system is really cracking up, thinks Antony Thorncroft

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Finance

FT writers look at where you should put your money in the wake of the stock market fall

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Travel

Michael Thompson-Noel finds crocodiles with real bite in Zambia

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Arts

Homan Potterton reports on the sale of the fabulous du Boisrouvray collection in New York

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The FT Readers' choice for the Booker Prize

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Report

Three pages on independent education

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EMS tension after help for Denmark

By Simon Holberton, Economics Staff

UNDERLYING pressures for a realignment of the European Monetary System were reinforced yesterday when it emerged that the West German Bundesbank had issued up to DM3.5bn (£1.18bn) to the Danish central bank to defend the Danish crown.

European central bankers said the scale of the Bundesbank's support for the crown was large and highlighted the tensions within the EMS following the Bundesbank's decision to raise interest rates two weeks ago. The intervention occured last Friday.

Central bankers said they did not expect an imminent realignment of the EMS. Along with financial analysts in London they pointed to next week's Spanish election as one factor against quick action.

The Bundesbank is known to be keen for a revaluation of the D-Mark against the high inflation currencies in the EMS, notably the Italian lire and the Spanish peseta, but it concedes there are political obstacles.

The French appear to be opposed to a realignment of the EMS that would lead to a devaluation of the franc against the D-Mark. Earlier this week a senior Bundesbank official said the franc's position was not the main issue.

Mr George Magnus, international economist at Warburg Securities, said: "German pressure for a revaluation of the D-Mark is becoming irresistible. It is likely there will be a realignment of the EMS sooner rather than later when Spanish elections are out of the way."

Under EMS rules the Danish central bank had to borrow from the Bundesbank to support the crown which had fallen to its lowest permissible limit against the D-Mark.

This week the Danish bank raised its short term interest rates to 13.5 per cent to further support the crown. Danish central bank rates were set at 11 per cent after the Bundesbank's recent rise in rates, but by yesterday they had eased slightly to 12.5 per cent as pressures on the crown abated.

Money Markets, Page 11

Saab talks with Ford collapse

By Robert Taylor and Kevin Done

TALKS between Saab-Scania and Ford of the US on a collaboration deal have collapsed.

At the same time, the Swedish automotive and aerospace group yesterday unveiled a loss of SKr1.2bn (£118m) in its car division for the first eight months of the year, adding to the sense of crisis at the company.

The negotiations are believed to have involved a plan for Ford to take an equity stake in Saab's car operation. Ford, however, is understood to have been unable to reach a deal justifying its investment and risk exposure.

Mr George Karnsund, Saab chief executive, said his company was continuing talks with other car companies. Saab expected continuing heavy losses of up to SKr1.8bn in the car division for the rest of 1989.

Mr Karnsund said the company was proceeding with a rationalisation of the car division, with cuts in workforce and the number of component suppliers.

Continued on Page 22

MARKETS

STERLING
New York lunchtime:
$1.5905
London:
$1.5885 (1.5940)
DM2.9450 (2.9525)
FFr10.0075 (10.0225)
SFr2.5825 (2.5875)
Y226.00 (226.25)
£ index 89.4 (89.6)

GOLD
New York: Comex Dec
$370.5
London:
$368.00 (368.75)

N SEA OIL (Argus)
Brent 15-day Nov
$19.275 (19.375)

Chief price changes yesterday: Page 22

DOLLAR
New York lunchtime:
DM1.8535
FFr6.2945
SFr1.6250
Y142.25
London:
DM1.8540 (1.8520)
FFr6.3000 (6.2875)
SFr1.6250 (1.6235)
Y142.35 (141.95)
$ index 69.8 (69.6)
Tokyo close: Y141.35

US RATES
Fed Funds $8\frac{11}{16}$
3-mo Treasury Bills:
yield: 7.728%
Long Bond:
$101\frac{1}{32}$
yield: 7.945%

STOCK INDICES
FT-SE 100:
2,179.1 (−10.2)
FT Ordinary:
1,761.0 (−11.1)
FT-A All-Share:
1,097.64 (−0.2%)
New York lunchtime:
DJ Ind. Av.
2,688.52 (+5.32)
S&P Comp
344.86 (−2.26)
Tokyo: Nikkei
35,486.38 (+112.16)

LONDON MONEY
3-month interbank:
closing $15\frac{1}{16}$ ($15\frac{1}{32}$)
Liffe long gilt future:
Dec $92\frac{5}{8}$ ($92\frac{11}{16}$)

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Austria Sch22; Bahrain Din0.700; Bermuda $1.50; Belgium BFr60; Canada C$1.00; Cyprus C£0.90; Denmark DKr10.00; Egypt E£3.25; Finland Fmk7.00; France FFr7.00; Germany DM2.50; Greece Dr150; Hong Kong HK$12; Iceland IKr125; India Rup15; Indonesia Rp3,100; Ireland I£0.80; Israel NS3.50; Italy L2000; Japan Y600; Jordan Fils1,000; Kuwait Fils.500; Lebanon £L400; Luxembourg LFr60; Malaysia Rin4.25; Malta 40c; Mexico Pes900; Morocco Dh6.00; Netherlands Fl3.00; Norway Nkr10.00; Portugal Esc140; S.Arabia Rls7.00; Singapore S$4.10; Spain Pta145; Sri Lanka Rup30; Sweden SKr10.00; Switzerland SFr2.40; Taiwan NT$65; Thailand Bht50; Tunisia Din0.800; Turkey L1200; UAE Dh7.00; USA $1.00.

Bush visits San Francisco earthquake site

By Lionel Barber in San Francisco

PRESIDENT George Bush yesterday toured the stricken San Francisco Bay yesterday, as estimates of the damage and the recovery time caused by Tuesday's earthquake continued to soar.

Mr Bush was greeted by Governor George Deukmejian of California, who earlier said that an emergency tax increase – most likely higher gasoline or sales taxes – may be needed to finance the rebuilding effort in the Bay area.

Official estimates of the total damage rose yesterday to more than $4bn. But politicians and businessmen are increasingly focusing on the long-term cost caused by the disruption of important transport links, such as the Bay Bridge and several key highways.

As Mr Bush flew out to the Bay area early yesterday morning, Mr Samuel Skinner, the Transportation Secretary, told reporters the administration was working on a programme to make sure the federal government had "a very, very major role in helping California".

Mr Skinner said in the first 90 days virtually all of the emergency expenses would be covered by the federal government.

He declined to say how much money would have to be spent, though, in relation to the pledge by the Democratic House leadership to commit at least $2.5bn, he said he did not think the figure would "have a degree of preciseness attached to it. I don't think anybody can tell you at this moment exactly how much is going to be needed."

Mr Bush, who faced criticism for his sluggish response to the Alaska oil spill and Hurricane Hugo, boarded Air Force One shortly after 9am yesterday for a briefing with state officials, before leaving by helicopter for a first-hand look at the devastation.

The President planned to visit the Nimitz freeway, where a 1¼-mile-long section of the double-deck expressway collapsed, crushing dozens of people in their cars.

Authorities have scaled back their estimates of the number of people trapped inside the crumpled freeway. At first, officials said they suspected more than 150 to 250 vehicles were lost in the crunch, but a preliminary search of the rubble indicates that fewer commuters were travelling on the expressway when the earthquake struck on Tuesday evening. Police believe many people had already reached home to watch the baseball World Series that night on television.

If this is true, then the widely feared death toll of more than 250 people may also be scaled back.

Mr Bush has already pledged more than $273m for the clean-up effort, and congressional support for a rescue and relief package of more than $2bn is growing. There is a sense of urgency about the California disaster, which did not occur in the aftermath of Hurricane Hugo this year.

Officials are braced for a huge traffic jam on Monday, when most Bay area workers are expected to try to return to work in San Francisco. Authorities have made plans for an armada of ferries and navy ships to carry commuters to San Francisco under the crippled Bay Bridge. The Bay Area Rapid Transit train will run 24 hours a day, starting on Monday.

Congress will take action early next week on providing disaster aid for the San Francisco Bay area, estimated at a minimum of $2.5bn by Mr Tom Foley, the Democratic Speaker of the House of Representatives, Peter Riddell writes from Washington.

The Office of Management and Budget has been asked to provide an estimate by Monday of the needs of the area so that the extra money can be added on to a spending bill due to be considered in the House.

Mr Foley said that the total might be around "$2.5bn minimum and I think that figure will grow".

In detail, an additional $600m to $800m is likely to be proposed for the Federal Emergency Management Agency for disaster assistance, to help with grants for housing and repairing or replacing public structures.

Glasnost trims barbed wire from Soviet Union's borders

By Quentin Peel in Moscow

THE Soviet Union is planning to reduce by 90 per cent the vast area of its border zones closed to free movement, scrap the barbed wire in many areas, and simplify border crossing procedures, the head of the KGB said yesterday.

General Vladimir Kryuchkov and his deputy General Vadim Matrosov, who commands 200,000 Soviet border guards, spelt out the planned relaxation of the whole system of border policing at a meeting of the Soviet parliamentary committee on defence and state security.

One important factor behind the decision to cut the border zones so drastically is the economic dislocation caused by having some 1.4m square miles subject to severe restrictions. Until recently this included the entire Far East region, where the Soviet authorities are anxious to boost economic development.

Gen Kryuchkov pointed to a huge increase in the number of business and private trips across the Soviet border, and said he saw no reason to maintain the closed areas in their present size.

His deputy said that only 3,400 "border violators" had been detained in the course of the past year, 40 per cent of them for offences such as fishing or poaching in restricted areas.

However, he warned about a big increase in smuggling of arms and drugs across the Soviet Union's Central Asian borders, with incursions by armed gangs from Afghanistan since the Soviet troop withdrawal from that country.

He said the normalisation of relations with most neighbouring states had a positive influence on border tension, particularly with Turkey, Iran and Norway, and along the huge common frontier with China.

The move to relax border restrictions coincides with separate proposals by the Soviet authorities to scrap the wide areas of the country permanently closed to foreigners. Details are expected to take about a year to work out.

Hungarian opposition prepares its platform

By Judy Dempsey in Budapest

AS THE Hungarian parliament yesterday voted away more powers of the Communist Party, a new political movement was setting out its programme in an attempt to gain mass support in next year's free, independent parliamentary elections.

Shortly before the Hungarian Democratic Forum (MDF), the largest of the independent political parties, opened its congress, the Hungarian parliament voted overwhelmingly to accept a new parliamentary election law. The elections, the first free ones to be held since 1948 when the Communists took power, are to take place early next year.

Deputies yesterday voted to increase the number of parliamentary seats for the individual constituencies by 24 to 176, while the 19 counties, plus Budapest, will have 152 seats. The national list, which will be distributed on the basis of proportional representation from the constituency and county votes, has been reduced by 12 to 58. The new parliament will contain 386 seats.

No sooner had the vote been taken than deputies agreed to disband the Workers Guard, the armed wing of the Communist Party set up after the crushed uprising of 1956. All its property and finances will be assessed by a special parliamentary committee which will then hand them over to the ministry of defence.

The issue of when the presidential elections will be held remains unresolved. However, it was decided that any candidate wishing to stand needed 50,000 signatories, while an absolute majority from two-thirds of the voters was required to win. Otherwise, a second round would be held. Those who gained at least 15 per cent of the vote in the first round could stand. A relative majority from half the electorate would secure victory.

Meanwhile, a tram ride down from Parliament along the Danube to the Karl Marx University, Mr Gyorgy Szabad, a historian and a member of the MDF leadership, delivered a rousing speech in which he appealed to the "foreign visitors" to learn about the MDF.

He said the MDF was "the party which tried to create democracy when there was no democracy in Hungary... the MDF want to enter the souls of the people." The party has already won four by-elections.

Over the weekend, the MDF will spell out its economic, social and political policies, determined to show that it is a party equipped to share power in next year's elections.

Polish premier visits Italy

By John Wyles in Rome

Polish PM Tadeusz Mazowiecki (right) meets the Pope in Rome.

MR Tadeusz Mazowiecki yesterday ended his first foreign visit as Poland's prime minister by warning that his country will face a serious food crisis this winter unless the West increases its supplies before the end of November.

After two days of talks in Rome which included a meeting in the Vatican with the Pope yesterday morning, he appealed not only for more food deliveries but also for loans "which we will repay" to feed the Polish people in December and January. He said the European Community's food aid programme was now under way but that "we are hoping much more will be provided."

The dire state of the Polish economy and its urgent need for cash, expertise and industrial investment were at the centre of meetings between Mr Mazowiecki and his retinue of ministers and their Italian counterparts. The prime minister said he was well satisfied with Italian undertakings but urged the West to move on "from words to deeds" in coming to Poland's aid.

The Italian government's immediate contribution is to be $400m (£250m) of export credits and a promise to participate fully in Western multilateral aid programmes and debt rescheduling. Mr Mazowiecki has left behind in Rome a list of nearly 100 industrial projects for which Poland is seeking direct investment and involvement. He said Warsaw would consult Italian experts on the changes needed to Polish laws to facilitate direct investment and joint ventures.

Meetings between the Polish delegation and Italian industrialists, including Mr Cesare Romiti, the Fiat Group's managing director, are to be followed by a resumption of negotiations between Warsaw and the Turin company on a proposal to produce a medium-sized car at the FSO plant in the Polish capital.

Fiat already has the contract to modernise the FSM plant in the south of Poland to produce 160,000 small cars a year and had reached an agreement on a larger model for the FSO plant until the Polish government abandoned the project at the beginning of the year.

W German economic reforms hit snags

By David Goodhart in Bonn

TWO of the reforms most cherished by economic liberals in West Germany – a reduction in the power of the banks and a lower rate of corporate tax – are running into difficulties.

A committee of the centre-right coalition in Bonn examining the cal issue of bank power has decided against recommending a limit on the stakes banks are allowed in industrial companies, despite pressure from the liberal Free Democrats.

The committee decided that because the stakes are being reduced by "natural market developments", there is no need for legislation. Count Otto Lambsdorff, the Free Democrat leader, said he was disappointed by the decision and would be returning to the offensive after the next election at the end of next year.

The committee will recommend some changes to be implemented before the election. First, more transparency in the links between companies and banks, and between different companies, through full declaration in annual reports of all positions in other companies held by members of executive and supervisory boards. In the case of banks this will also apply to managers further down the scale.

Second, the Cartel Office will be asked to examine how best to ban the practice of bankers holding supervisory board seats in companies competing in the same sector.

There are technical problems of defining a "competing" company which the Cartel Office will examine. Any such ban will also apply to leading trade unionists who often sit on several supervisory boards.

Third, there will also be further examination of the banks' right to use voting rights on the shares lodged with them. The committee wants to encourage shareholders to use their voting power but is split on whether to abolish the existing system.

Differences are emerging within business associations on how best to reduce corporate tax.

Business is united about the need for a cut early in the next legislative period, but the Federation of German Industry's latest proposals for a new "operating tax" are not popular with the DIHT, which represents smaller businesses.

Businessmen claim that total tax on profits will remain at about 67 per cent even after next year's cut from 56 to 53 per cent of basic corporate tax. The business lobby wants that level further reduced.

Share of aid will go to US ships

By Peter Riddell, US Editor, in Washington

AT LEAST $20m of the expanded US aid package for Poland approved by the House of Representatives late on Thursday will go to support high-cost US-flag ships.

Under existing federal law, 75 per cent of US food aid must be carried in American-flag ships. An attempt to reduce the proportion to 50 per cent was defeated by 228 votes to 170 in a battle between farm belt representatives and those from maritime states and with labour union connections.

This requirement applies to the $125m in emergency food aid for Poland, of which around $50m will now go in shipping and transportation costs. Since US shipping costs are estimated to be 40 per cent or so higher than for foreign vessels, this means that at least $20m will go in transport costs which could have gone in food aid.

Representative Jim Leach, a Republican from the agricultural state of Iowa, argued that this cargo preference provision worked to the advantage of US maritime unions and to the disadvantage of the Solidarity labour movement.

But Representative Howard Berman, a Democrat from California, argued that the AFL/CIO labour unions in the US had been staunch supporters of Solidarity for more than a decade and eliminating cargo preference now would be "a symbolic slap in the face" for American unions.

The overall package for both Poland and Hungary approved by the House totals $837.5m ($5 per cent for the former) over the next three years. This compares with around $450m so far proposed by the Bush administration and a $1.2bn package put forward last month by the Senate foreign relations committee. The Senate Democratic leadership has broadly endorsed the House version.

In detail, the House package, approved by 345 votes to 47, includes $160m to support private enterprise in Poland (and $40m in Hungary), $125m in food aid for Poland, $200m in economic aid to help stabilise the Polish economy, and $30m to assist with environmental problems.

Nine-month industrial output lower

By Christopher Bobinski in Warsaw

INDUSTRIAL output in Poland fell over the first nine months of this year by 1.6 per cent, partly as a result of lower imports of raw materials and components from Comecon, while wages and prices continued to rise at record levels.

Industrial production began to fall around the middle of this year, and the last quarter is expected to see a further 4 to 6 per cent deterioration compared with the same period last year.

In September steel output fell by a fifth compared to the same month last year, bringing a nine-month figure 7.4 per cent down on the first three quarters in 1988 and presaging steel shortages throughout industry in coming months.

Production of coal, still an important hard-currency earner and energy source, has also been falling since Solidarity won wage concessions in the late spring lowering incentives for Saturday working.

Much of the fall in industrial production comes from the drop in output by the food processing industry, which bought 10 per cent less meat from farmers in the first nine months than in the same period last year.

● Poland has told commercial bank creditors it will defer 85 per cent of the interest due on foreign banks' medium-term loans in the final quarter of this year, Stephen Fidler writes.

Some $170m of interest is said to be falling due to banks over the period, of which it will pay 15 per cent and defer the rest for three months, by which time a more comprehensive arrangement could be in place. Despite its dire foreign payments position, Poland has up to now remained current on interest to foreign banks.

London-Buenos Aires air links discussions

By Robert Graham in London and Gary Mead in Buenos Aires

AEROLINAS Argentinas and British Airways are expected to formalise discussions in the near future on resuming direct air links.

This follows Thursday's wide-ranging agreement in Madrid between Argentina and Britain on a resumption of consular relations, broken since the 1982 Falklands conflict.

British Airways has been anxious for some time to resume a service between London and Buenos Aires but has been inhibited by the diplomatic stalemate. The route between the two capitals has traditionally been among the most profitable in Latin American business.

The earliest the service could be resumed would be in January. At this stage it is uncertain whether Aerolinas Argentinas has aircraft available for the run and this could condition whether or not BA operates alone, paying a royalty.

Yesterday in London, politicians from all parties welcomed the Madrid agreement as paving the way for a full normalisation of relations with Argentina.

In Kuala Lumpur at the Commonwealth summit, Mr John Major, the British Foreign Secretary, said: "I hope what we have achieved will lead to a reduction in the tension and difficulties between ourselves and Argentina." But he was cautious on the question of reducing the 1,400-1,600 garrison on the islands.

Among the most significant concessions made to Argentina during the talks was the alignment of the 150-mile protection zone around the islands with that of the fishing conservation zone. This means that Argentine fishing vessels can now enter an area some 160 nautical miles long where there are substantial fish stocks.

Mexican copper mine and steel strikes end

By Richard Johns in Mexico City

STRIKES which have paralysed the Compania de Cananea copper mine in the state of Sonora and the Sicartsa steel works at Lazaro Cardenas, Michoacan, for the past few months have been called off under settlements drastically reducing the labour force at both enterprises.

The militant Section 65 of the Mineworkers of the Mexican Revolution union, after having earlier rejected a deal worked out between the Ministry of Labour and union leaders, decided unanimously on Thursday to return to work.

The settlement involves 850 redundancies out of more than 3,500 miners, with compensation, adoption of a new contract facilitating job mobility and the elimination of restrictive practices, and round-the-clock shifts.

Workers will receive a wage rise of 23 per cent compared with the 330 per cent claim, including benefits which led the Government to declare the company bankrupt on August 20. The pay deal demanded by Section 65 would probably have bankrupted the company. But now, without any announcement, it has apparently been taken out of receivership.

At the Sicartsa steel plant the workers, members of the same union, voted by 1,724 to 963 to end the strike which began on August 23.

They have accepted a loss of 1,119 jobs out of a total of 5,000, as well as important modifications to the labour contract.

They will receive an increase of 32 per cent in pay and benefits with 50 per cent compensation for lost wages and a down payment of 100,000 pesos ($39).

Krenz faces fresh unrest

By Leslie Colitt in Berlin

THE first big demonstration in the northern part of East Germany, in the Baltic seaport of Rostock, has signalled fresh problems for the country's new leader, Mr Egon Krenz.

More than 10,000 people took to the streets of Rostock on Thursday evening demanding political reforms and the legalisation of the largest opposition group, New Forum. The police did not interfere with the peaceful protest.

Another demonstration took place in Zittau, near the Polish border, where nearly 10,000 citizens demonstrated for New Forum.

Meanwhile, East Germans are to be given passports valid for travel everywhere under a new law, according to the head of the passport section of the Interior Ministry, Colonel Gerhard Lauter.

At present, East Germans below retirement age can only travel to the West if they have relatives there, which has led to great bitterness among the majority of the country's population without such relations.

Vatican blackmail claim

By John Wyles

THE mysterious death in London of Roberto Calvi and the bankruptcy of his Banco Ambrosiano was reheated and served up for Italian public delectation yesterday amid suggestions that an apparently successful attempt may have been made to blackmail the Vatican.

Earlier this week, Rome magistrates arrested and imprisoned Mr Flavio Carboni, the man who was with Calvi during his last hours in London. He has been charged with handling stolen goods and fraud.

According to Italian press reports, based on official briefings, the magistrates have established that Mr Carboni had at some time in recent years deposited two cheques for 1,800m drawn on the Vatican Bank Istituto per le Opere di Religione (IOR).

According to Corriere della Sera, Mr Carboni had offered to sell documents which were in Mr Calvi's briefcase at or near the time of his death. The briefcase disappeared after the banker was found hanging under Blackfriars Bridge in 1982, only to reappear in 1986 in the hands of a deputy from Italy's neo-fascist Party, the MSI.

It contained bunches of keys but some of Calvi's private papers. The Milan newspaper says Mr Carboni flew the briefcase out of London on a private jet on the day that Calvi's body was found.

A Czech bishop whose Vatican responsibility is refugees from Eastern Europe has received an official notice that he is under investigation, says Corriere, which adds that Mr Carboni did not release any documents to the bishop.

Italy's supreme court ruled last year that Milan magistrates could not extradite American-born Archbishop Paul Marcinkus, who was head of the Vatican Bank during the Calvi years at Ambrosiano.

French nuclear industry rethink

By William Dawkins in Paris

The French Government is considering a wide-ranging reform of the way it organises its nuclear power industry, Mr Roger Fauroux, the Industry Minister, said yesterday. It has asked the CEA, the country's atomic energy authority, to draw up fresh objectives and a new budget by early next year.

The 44-year-old CEA, with a current annual budget of Fr20bn (£2bn), is the organisation that spearheaded France's successful attempt to become more dependent on nuclear power than any country in the world. It is responsible for most French nuclear research, controls Cogema, the nuclear fuels supplier and owns 35 per cent of Framatome, the builder of nuclear power stations.

The Government wants it to reconsider its role in the light of France's surplus of nuclear electricity and the growing importance of other state-backed organisations in the field. The CEA has also been asked to consider how it's basic research arm can better collaborate with other government agencies.

East Germany's reluctant rebel heads growing opposition

Leslie Colitt talks to painter Bärbel Bohley, the moving force behind New Forum

SEATED in the eye of the political storm sweeping East Germany is a slight, 45-year-old woman painter, the most unlikely imaginable leader of an East European opposition movement.

Ms Bärbel Bohley is the moving force behind New Forum, the largest East German opposition group, which, however, has no leader. Founded only last month with just over 100 members, New Forum now numbers at least 30,000 and perhaps as many as 60,000 citizens – lists of signatories from all over the country have yet to be counted. From early morning to night her flat in East Berlin's run-down Prenzlauer Berg district is besieged by East Germans offering their support and seeking advice. Had she known what was going to happen she would never have "begun all this", Ms Bohley tells visitors.

A number of them are former members of the Socialist Unity (Communist) Party who left in protest against its orthodoxy. At first the party declared New Forum "subversive" but now, under the pressure of mass demonstrations in East German cities, it appears to have decided to tolerate the movement.

Ms Bohley, in common with most East Germans, does not expect much from the new leader, Mr Egon Krenz, who succeeded Mr Erich Honecker this week. "I have lived long enough in the GDR. We had Wilhelm Pieck [the first East German President], Walter Ulbricht [the first party leader] and then we had Erich Honecker. Each time there was no change. It is not a question of who is at the top but whether the people down below have changed," she says.

There is little doubt they have. More than 100,000 protesters in the streets of Leipzig and 25,000 in Dresden last Monday proved as much. But while the demonstrators surged through the streets chanting "legalise New Forum", they were as leaderless as New Forum itself. The aroused populace has brought forward no charismatic equivalent of Lech Walesa or even a Vaclav Havel in Prague.

"I'm sure someone will get up on a soapbox and talk to the workers. But it is absurd to think that I as a painter could do it," Ms Bohley says. She laughs at the description of her in the West German press as the Joan of Arc of East Berlin. In fact she is much closer to Petra Kelly, founder of the West German Greens, with which New Forum has a good deal in common – especially its dislike of leaders.

Bärbel Bohley: "Absurd to think that I could do it."

What kind of political and social system does she envision for East Germany? Could it survive, as New Forum thinks is possible, as an independent German state with a democratic form of socialism? Ms Bohley is vague here, partly because New Forum is so diverse, partly because she does not like to use the word socialist, which has been so discredited in Eastern Europe.

"I hope the GDR won't be like the Federal Republic," she suggests. "We want a more humane way of life." But at other times she speaks of "divided Germany", which implies an artificial condition. During her enforced six-month exile in the West last year she found that she liked it better "everywhere else" than in West Germany. This sentiment sets her and other leftist intellectuals apart from most East Germans. The very wealth and ostentation that repels her in West Germany has an irresistible attraction for ordinary East Germans.

Ms Bohley freely admits that few workers have joined New Forum, although it has many craftsmen. But at the latest demonstration in Leipzig many young workers repeatedly called for the legalisation of New Forum. This reflects a growing awareness in factories that the political reforms demanded by the opposition group are also in the interests of workers.

It also explains why Mr Krenz rushed into a meeting with workers at a large East Berlin factory on his first day in office. An alliance between New Forum and the increasingly restive workers is one which the party will attempt to prevent at all cost.

Ms Bohley is plainly worried about the Protestant church, which appealed to the population not to demonstrate and whose leader, Bishop Werner Leich, met Mr Krenz on Thursday at his request.

Bishop Leich said afterwards that he believed Mr Krenz could calm the "bad mood" in the country and enter a dialogue with the population. He might also be prepared to talk with the opposition groups, the bishop suggested.

Ms Bohley says the church, which has had a regular dialogue with the party since 1978, was again engaging in "calculated optimism" and acting in an "opportunist" way.

"The church refuses to speak with us and wants to mediate between the state and us. But we want to be regarded as equals," she insists.

Undoubtedly, the church has mixed feelings about New Forum, the first opposition group to step out from under its protection. The opposition group she belonged to in the mid-1980s was helped by the church, which also got her out of police custody last year after a protest demonstration in East Berlin. But now the church misjudges the mood in the country, she asserts.

At the moment Ms Bohley said New Forum mainly needs rooms, a newspaper and money. She does not believe the authorities would revert to their previous practice of expelling militant oppositionalists to West Germany.

"They do not dare put me in prison or expel me because they have no interest in creating a martyr," she says.

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Australian debt stability further away than hoped

By Chris Sherwell in Sydney

STABILISATION of Australia's net external debt by the early 1990s — long the over-riding economic goal of Prime Minister Bob Hawke's Labor Government — *is going to take longer* than hoped or planned, to judge by new official projections.

Figures released yesterday by the Economic Planning Advisory Council (EPAC) show that annual growth in export volumes will have to outstrip import growth by an exceptional margin to stabilise the external debt below 40 per cent of gross domestic product by the early 1990s.

Australia's net external debt currently stands at $83bn, the third largest in the world and equivalent to around 32 per cent of GDP. The figure is quadruple the $20bn level of 1983, when Mr Hawke's Government came to power and began a programme of financial deregulation.

EPAC's paper points out that six successive years of substantial economic and employment growth have seen the balance of trade in goods and services consistently negative. "To reduce the current account deficit and stabilise Australia's foreign debt, the excess of imports over exports needs to be reversed," it declares.

To do this by 1991-92 — the target indicated in its 1986 study of the problem — EPAC's figures indicate the volume of goods and services exported would have to grow by 7-8 per cent annually, assuming import growth is held to 2 per cent per year.

This is not only higher than Australia's past export growth performance, it is also above *most research agency forecasts*. On a projection of export growth of 5-6 per cent, which is more in line with past performance and current forecasts, stabilisation would be delayed to 1993-94.

Economists pointed out yesterday that EPAC's projections also depend critically on its assumption of a 2 per cent import growth, which is based on a slowdown in domestic demand.

The year to June saw a 25 per cent growth in the imports of goods and services (and only 1 per cent in export volumes), while the previous year's figure was 10 per cent. It remains unclear whether this extraordinary investment and consumption boom represents a lasting change.

Likewise, any major structural change in the economy — such as a sharp rise in oil imports as domestic production tapers off — would also be expected to make the adjustment process harder.

EPAC has also assumed real interest rates of 5-6 per cent per year — substantially below current real interest rates of more than 10 per cent. Although these rates are expected to fall, any rate above 6 per cent would also complicate the adjustment process and worsen an already problematic outlook.

Pretoria 'could face $8bn debt repayments'

By Patti Waldmeir in Johannesburg and Stephen Fidler in London

SOUTH Africa could face foreign debt repayments of $7.5bn-$8bn over the next four years, despite the announcement on Tuesday that some $8bn of debts had been rescheduled, Mr Chris Stals, governor of the South African Reserve Bank, told the Financial Times.

Pretoria will seek to reduce this figure substantially by rolling over, as they mature, debts which fall outside the so-called "standstill net" imposed in 1985. Some $8bn in debts falling within the "net" have already been rescheduled.

Economists said it was **essential that repayments be reduced from the $7.5bn-$8bn level to around $6bn over the period. Unless substantial amounts of debt are rolled over, South Africa would be faced with repayments of $2bn a year.**

This would mean running a current account surplus of R7.5bn-R8bn a year, substantially higher than the R6bn-R7bn achieved when imports were much lower in the 1985-87 period.

Mr Stals said he believed South Africa could manage repayments of $2bn a year, though he believed this was a "worst case" scenario which could be averted.

The Reserve Bank does not specify in what form is the debt which falls outside the net. Bankers note, however, that much of the maturing debt falling outside the net is in the form of bonds issued in the international market.

Bankers say some $1.9bn of bonds mature from July 1990 to December 1993, the period covered by the interim agreement announced earlier this week.

Bankers say rolling over South African bond issues in the public bond markets — that is, issuing new bonds to cover maturing ones — could prove difficult because underwriters dislike the publicity which surrounds such issues. However, some private placements may be possible, perhaps in continental Europe and Japan.

Mr Stals said he believed that any attempt by the Commonwealth to restrict trade credits to South Africa, would have only limited impact.

"It is not as easy as all that to restrict export finance," he declared. "Trade finance is linked to trade transactions. If a country wants to export, it is very difficult not to be involved in trade finance at the same time."

Bid to mend split on South Africa sanctions

COMMONWEALTH leaders were this weekend meeting in the idyllic atmosphere of the island of Langkawi, off Malaysia, in a last attempt to paper over their differences over South African sanctions, Robert Mauthner and Roger Matthews report from Kuala Lumpur.

But a draft communiqué drawn up by a committee of 10 foreign ministers, including Britain, showed the gap between the UK and the other member-countries had not been bridged last night.

Informal discussions are also expected to produce an important declaration on the environment, which has produced a greater measure of agreement than South Africa.

The committee of Foreign Ministers worked into the night yesterday on the final document, to be submitted for approval to the heads of government. Wording had to take into account fundamental *differences on sanctions against* South Africa between Mrs Margaret Thatcher, the British Prime Minister and more than 40 other Commonwealth countries.

Mrs Thatcher had made it clear she would have nothing to do with the package of new trade and financial sanctions which Mr Bob Hawke, Australia's Prime Minister, tabled two days ago, which had won widespread support from the other members.

It is considered inevitable that the communiqué will be in the form of an agreement to disagree, at least as far as its section on South Africa is concerned.

The "Langkawi Declaration" on the environment, by contrast, will show the member-states agree on the urgency of collective action "to avoid impending global disaster", in the words of the provisional draft drawn up by Malaysia. Where there is still disagreement between Britain and its partners is over how such action should be financed and the forum in which it should be co-ordinated.

It was also agreed that the burden of creating a better environment must be shared by all, though it is generally accepted that the industrial countries will have to assume the lion's share of the cost. Mrs Thatcher yesterday recognised that the industrialised countries had been the major culprits in polluting the planet, a point made forcibly by Dr *Mahathir Mohamad, Malaysia's* Premier.

But Mrs Thatcher does not want the Commonwealth to set up new institutional machinery to deal with environmental action. She feels it is a global problem best dealt with in the context of the UN World Environmental Programme. "The Commonwealth must plug into the UN," she said.

She also underlined the role of private capital in improving the environment, while most of *the other* members feel that governments should take the leading role in funding environmental programmes.

The discussions of the Heads of Government concentrated on three main themes: climatic *changes and their effect on the* rise of the sea level, the dangers of so-called "environmental extremism", which has led to the destruction of tropical forests and desertification, and the preservation of "global commons", such as space, Antarctica and the ocean bed.

It was generally accepted that developing countries could not be asked to forgo economic growth for the sake of protecting the environment, but that a proper balance had to be established between the two requirements.

Mr and Mrs Thatcher ride by trishaw to their beach resort

Britain urges support for HK

By Robert Mauthner in Kuala Lumpur

COMMONWEALTH SUMMIT

BRITAIN is proposing that the Commonwealth leaders should make a declaration expressing their support for the people of *Hong Kong at the end of their* summit in Kuala Lumpur next week.

The British proposal, not yet endorsed by the other leaders, has provoked an angry reaction from China, which has accused Britain of wanting to "internationalise" the Hong Kong question.

Hong Kong was purely a Sino-British matter, a government spokesman in Peking was reported as saying. A senior British spokesman at the summit retorted that, until the year 1997, when sovereignty over Hong Kong would be handed over to China, Hong Kong would remain a British crown colony and Britain's sole responsibility.

The Commonwealth was an association of free nations in which Britain could raise whatever issue it liked.

British attempts to get the Heads of Government to issue a general declaration of sup*port for the people of Hong* Kong are part of London's attempt to restore the confidence of the colony's population after the suppression of student demonstrations in Peking last June.

Britain, which considers that Peking is responsible for the lack of confidence of the people of Hong Kong in their future, is also trying to persuade it to take measures to restore that confidence — so far without avail.

China has rejected British *requests that it should not station* troops in Hong Kong when it takes over the territory, and that it should make clear that it would never declare a state of emergency there.

A delegation of members of the Hong Kong Executive and Legislative Councils (OMELCO), which met Mr John Major, British Foreign Secretary, in the margin of the summit, has complained at the delay in the announcement of a promised British scheme to give a limited number of Hong Kong citizens British passports, which would enable them to leave in an emergency.

The OMELCO delegation told Mr Major that, if the current increasing rate of emigration — now running at between 40,000 and 50,000 a year — continued, by the early 1990s Hong Kong would have lost so large a proportion of people who made the territory work, that Britain might be in danger of failing to fulfil its responsibility of preserving the colony's economic prosperity and social stability.

"We explained (to Mr Major) that the confidence problem in the territory, far from having *recovered since the events of June*, is now as severe as it has been.

UK signs £250m weapons agreement with Brunei

By David White, Defence Correspondent

BRITAIN is set to provide Brunei with a fixed-wing air force under a £250m arms deal signed during the Commonwealth Conference in Kuala Lumpur.

Under the agreement, Brunei will buy 16 British Aerospace Hawk 100 aircraft to form the Sultanate's first fighter squadron, as well as three missile-carrying offshore patrol vessels from the Vosper Thornycroft shipyard in Southampton.

The British Ministry of Defence said a protocol was signed by Mrs Margaret Thatcher, Britain's Prime Minister, and the Sultan of Brunei, Sir Muda Hassanal Bolkiah Mu'izzadin Waddaulah, who is also the country's defence minister.

The Ministry, which gave no details of numbers or value, described the Hawks as "trainer aircraft." But the Hawk 100, while it can still be used as a two-seat trainer, was developed for the export market with a range of weapon systems, especially for ground attack.

BAe and Vosper Thornycroft said yesterday they had yet to receive official notification of *the agreement*, announced by the Brunei delegation in Kuala Lumpur. No specific contracts had been signed.

The aircraft side of the deal is reckoned to be worth about £150m. BAe is understood to have been holding talks with Brunei for some time on a range of items.

The Brunei statement indicated that the agreement was open-ended, with an option to extend the list of requirements "at any time by the mutual consent in writing of both governments."

The UK maintains a close defence relationship with the Sultanate, which pays for a British Gurkha infantry battalion to be stationed there. The country's army is largely British-equipped. Britain is meanwhile trying to tie down contracts for its £1bn arms package signed with Malaysia more than a year ago and expected to include eight Anglo-German-Italian Tornado aircraft and an option for four more.

Mandela tells ANC to refrain from violence

By Patti Waldmeir in Johannesburg

MR NELSON Mandela, the jailed leader of the African National Congress (ANC), has appealed to his followers to refrain from violence, although his movement remains officially committed to the armed struggle against the South African Government.

Mr Mandela is reported to have instructed the seven Congress leaders released last weekend to "preach peace" when they returned to their homes.

One of the seven, Mr Oscar Mpetha, said he was acting on this instruction when he called yesterday for an end to the stoning of cars in the western Cape, which has led to two deaths in recent weeks.

"If you don't want to listen to me, then listen to Mandela because he has appealed to us to use non-violence," Mr Mpetha said.

He said the seven had told Mr Mandela that the Government was the source of violence, but Mandela had replied: "If you preach peace, they will refrain from violence".

Mr Mandela's reported comments appear to contradict those of the most prominent of the released leaders, the senior ANC official Mr Walter Sisulu, who said yesterday that abandoning the armed struggle was out of the question.

"You can't just say that we must abandon (violence) unilaterally, that is not the way of dealing with such an important issue," he said, adding: "There must be a negotiation on the basis of military operations."

The role of the armed strug*gle is clearly coming into ques*tion within the organisation, with the ANC newsletter, Sechaba, carrying vigorous debates on the subject.

Whatever the leaders' rhetoric, there are signs that the ANC *may already have agreed* a *de facto* suspension of violence, as a tactical move to avoid jeopardising recent diplomatic advances made by the organisation internationally.

According to Mr Mark Phillips, a researcher at Johannesburg's Centre for Policy Studies, there have been no reported violent incidents linked to the ANC's military wing, Umkhonto we Sizwe, for nearly two months.

Mr Sisulu has repeatedly defended the armed struggle in recent days.

However, he took a conciliatory tone on other issues yesterday, saying that he believed "pre-negotiations" with Pretoria could begin soon after the released leaders had gone to Lusaka to consult the movement's exiled leadership, hinting that the ANC might consider the issue of guarantees for whites negotiable.

Japan's money supply up 9.6%

Japan's main money supply indicator, M2 (cash in circulation and deposits) plus certificates of deposits, grew 9.6 per cent in September year on year, the same rate as in the previous month, the Bank of Japan said yesterday, Ian Rodger reports from Tokyo.

The growth rate has been in single figures since May, after more than two years of double digit increases.

Indian opposition targets corruption

By David Housego in New Delhi

THE National Front, the major *Indian opposition group yesterday* launched an election manifesto that puts the main emphasis on "removing corruption and restoring the dignity of national institutions".

Speaking at a press conference that left little doubt that Prime Minister Rajiv Gandhi will himself be a major theme of the Front's campaign, Mr V. P. Singh, the leader of the Opposition, said that the country had a government the reputation of which made an Indian "put down his head in shame."

The manifesto itself is a vaguely worded document full of populist promises that give little clue to the policies the Opposition would follow if they came to power. The promises include a remission of farmers' debts, cheaper agricultural credit and a diminishing role for big business and transnational corporations.

Among the members of the National Front are the Janata Dal, led by Mr Singh, and such regional parties as the DMK of Tamil Nadu and the Telugu Desam of Andhra Pradesh. Outside the Front — but a major force in the opposition — are the Hindu BJP, and the Communists.

Reflecting its strong regional bias, the Front's manifesto promised more autonomy to state governments. This is an issue on which the opposition could be expected to differ from the ruling Congress-I which has emphasised strong central government.

On one crucial point, the manifesto showed major differences with the Hindu movement, the BJP. The National Front came out strongly in favour of protecting Moslem *rights and* allowing the Moslems their own personal law.

It distanced itself from the Hindu fundamentalists' stand over the building of a new temple at Ayodhya, saying the dispute between Hindus and Moslems should be the subject of an amicable settlement.

The Front came closer to the left-wing parties in arguing for reducing the role of multinationals and for tighter controls on non-essential imports.

The Congress manifesto is also likely to pay lip service to these beliefs which have *formed part of the traditional* socialist bedrock of Indian governments — though in practice the administration is moving away from them.

The Front leaders fumbled in answering questions over the manifesto suggesting that it has not been the focus of any real discussion. Far more difficult at this stage than the framing of vague policies are the constituency nominations which are absorbing the energies of both Congress and Opposition leaders.

V.P. Singh: Front-runner in opposition campaign

Malawi reopens Nacala railway

By Mike Hall in Harare

THE Malawi government yesterday announced the reopening of the Nacala railway, a strategic trade route through neighbouring Mozambique which has been closed for five years due to attacks by Mozambique National Resistance (MNR) rebels.

The closure in 1984 of the railway linking land-locked Malawi with the Indian Ocean port of Nacala forced Malawi to re-route 90 per cent of its trade via long and expensive routes through Durban in South Africa.

Mr Justin Malewezi, secretary to the President and Cabinet, told businessmen in Blantyre that re-routing trade through Nacala would improve prospects for Malawi's economy and help cut inflation by *reducing transport costs*, the state-run Malawi news agency said.

Economists say Malawi's external transport costs are among the highest in the world. They estimate 45 per cent of this agricultural nation's foreign earnings are spent on transport every year.

Extra spending, due to the closure of Nacala and another shorter railway to Beira port, is expected to exceed $100m this year.

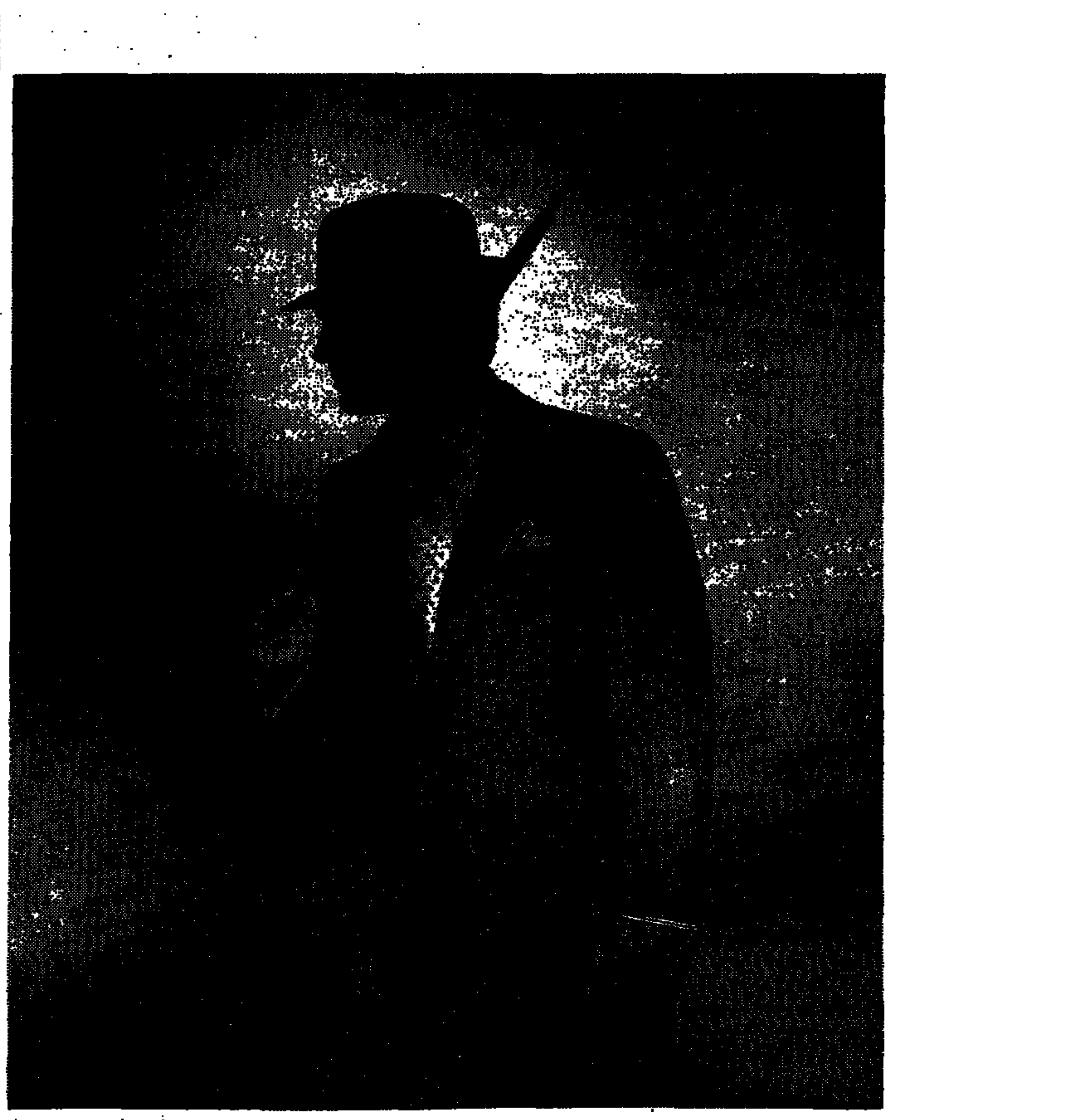
The re-opening of the 600-mile line comes two months after the right-wing MNR announced during peace talks with Mozambican church leaders in Nairobi that they would halt attacks on the route as a "gesture of goodwill."

Canada, Portugal, France, Italy and the EC have helped *finance the rebuilding of the* line. Aid officials estimate the total cost at more than $170m.

Continuous welded steel tracks and concrete sleepers have been laid and trains armour-plated against rocket grenade attacks. About 600 Malawian soldiers as well as Mozambican forces have been deployed to protect the railway.

Officials say Malawi cannot depend on Nacala alone. It is developing a northern route to Dar-es-Salaam in Tanzania which is expected to carry up to 30 per cent of *trade* when completed in 1991 at a total cost of $160m.

This "back door" route is considered important to guard against continuing instability in Mozambique and to reduce dependence on South Africa.



Tokyo urged to open its doors to foreign workers

By Michiyo Nakamoto in Tokyo

PLAGUED by labour shortages, small businesses in Japan — especially in the food services industry — are pleading with the Japanese Government to open the country's doors to foreign workers, and the powerful construction industry may soon join them.

The National Federation of Small Business Associations has resolved to ask the Japanese Government to open the labour market to foreign workers, while the Japan Food Services Association, which represents the country's bars, restaurants and fast-food chains, is putting together a proposal to enable foreign workers to work legally in Japan.

Yesterday, a leading national newspaper reported that the chairman of the Japan Federation of Construction Contractors (JFCC), Mr Hajime Sako, had stated that the long-lasting domestic construction boom and the extreme shortage of construction workers in Japan made it necessary to consider accepting foreign workers on a temporary basis.

Officially, the JFCC has taken a negative stance towards the acceptance of foreign workers in line with government policy, and federation officials could not confirm Mr Sako's remarks yesterday.

Japan's booming economy has led to severe shortages of workers in a large number of industries, which has in turn attracted a flood of illegal workers from neighbouring countries. The authorities have been caught between concern about their ties with their neighbours and worries about social problems in Japan.

Last November, the Construction Ministry warned contractors against hiring illegal aliens, and this summer, guidelines on trainees were made more stringent to stop companies hiring foreign workers under the pretext that they are trainees.

The Ministry of Justice prosecuted more than 14,000 illegal workers last year, but estimates are that the number of illegal workers in Japan is well over 100,000.

Some 40 per cent of those found to be working illegally in Japan last year had been employed in the construction industry. Food services industry leaders have acknowledged their businesses are highly dependent on a large number of foreign part-time workers.

An official of the Japan Food Service Association says it would like to encourage the acceptance of foreign workers under certain conditions.

The government's position has been that it cannot change its rules to relieve a labour shortage problem that could be temporary.

"The construction industry, for example, is subject to fluctuations in demand," a Construction Ministry official said. "If we tell workers to go home when there is a downturn, we will face criticism that we are just using them."

Waiting lists at hospitals longest for many years

By Alan Pike, Social Affairs Correspondent

THE GOVERNMENT is to urge "poor-performing" health authorities to take urgent action following publication of the worst hospital waiting lists for several years.

Figures released by the Department of Health yesterday showed that 704,700 people were waiting for in-patient treatment in England in March, compared with 691,100 last September.

Mr David Mellor, Health Minister, admitted that the figures were "disappointing overall in showing a small but regrettable growth in waiting times," even though the number of cases treated rose by nearly 2 per cent in the six months to March 31.

"What is clear is that some regions are coping much better than others. I am pressing the poorer performers to analyse the reasons for this, and to take effective and urgent action to deal with the matter," Mr Mellor added.

Earlier this year a government-appointed management team investigated the 22 health districts with the longest waiting times.

Mr Mellor said that exercise, backed by money from the Government's £31m waiting list fund, had reduced by a quarter the number of patients in the districts waiting more than a year for operations. This work would be extended through to next year, the minister pledged.

Hundreds of beds in hospitals throughout London are at risk of closure because of financial difficulties reminiscent of the autumn of 1987, the pressure group London Health Emergency warned yesterday.

Two years ago, health authorities across the country were forced to close beds and reduce services in order to stay within their budgets.

This led to the Government's National Health Service review and the proposals for reform contained in the white paper Working for Patients.

Many health authorities are facing financial pressure again this year because their 1989-90 financial allocations were based on inflation assumptions of 5 per cent, while costs are rising by around 7 per cent.

London Health Emergency says this 2 per cent financial shortfall in London – amounting to £47m – is "posing major problems for many of the larger authorities." Bed reductions already in force have, it says, created a crop of red alert and crisis conditions long before the start of the cold weather.

SIB faces opposition to compensation rule

By Eric Short

LIFE COMPANIES and building societies have told the Securities and Investments Board – the investor protection body – that they should not have to contribute to funding the compensation scheme for investors. The Consumers' Association, however, has welcomed the SIB's proposal to include life companies and building societies within the scope of the scheme.

Opposition to the SIB's proposals comes in submissions from the Association of British Insurers and the Building Societies Association in response to the SIB's plans for its central investors compensation scheme.

The 1986 Financial Services Act requires the SIB to operate a scheme to compensate investors against financial loss in the event of an investment firm running into financial problems.

In August last year, the SIB set up a central umbrella scheme called The Investors' Compensation Scheme which compensates investors in full on the first £30,000 of their investment and 90 per cent of the next £20,000.

The scheme is funded in a complex two-tiered way, with the individual regulatory body meeting the first part of the claim and additional costs shared between all regulatory bodies. Life companies and building societies were excluded from the funding arrangements on the grounds that they had their own compensation arrangements. the SIB undertook to review the scheme after a year.

The scheme has paid, or is in the process of paying, compensation on five claims, none of which is large enough to involve the second tier cross subsidy payments.

The SIB said the scheme should not be fragmented and that all investment institutions benefited from the climate of confidence generated by the scheme.

The Association of British Insurers and Building Societies Association argue that their compensation schemes provide similar, if not better, protection that the SIB scheme.

The insurers' association points out that there is no proposal for other regulatory bodies to contribute to its compensation scheme – set up under the 1977 Policyholders Protection Act. Mr Mark Boleat, director-general of the BSA said: "Building societies and their subsidiaries would not give rise to any claims under the scheme".

The next stage is for the SIB to issue its intentions, which would be binding on life companies and building societies.

Government to clear the way for TV sponsorship

By Raymond Snoddy

THE Government has decided to sweep away virtually all restrictions on the sponsorship of commercial television.

The Broadcasting Bill, to be published as soon as possible after next month's Queen's Speech, will open the way to sponsorship of a wide range of programmes, including fiction and drama, by cancelling the curbs set by the 1981 Broadcasting Act.

The bill will give the Independent Television Commission, the body that will replace the Independent Broadcasting Authority, the power to draw up a code of practice on sponsorship.

The only absolute prohibition will involve the sponsorship of news and current affairs. The Government has agreed a ban on such sponsorship by accepting both the terms of the European Community directive on broadcasting and the Council of Europe convention on transfrontier broadcasting.

Until recently, sponsorship was limited largely to programme areas such as sport or the arts, portraying events that would have happened regardless of sponsorship.

The IBA has recently extended possible areas of sponsorship to include arts magazine programmes and instructional programmes.

Pedigree Pet Foods has started to sponsor Granada Television's Pets and People programme and PowerGen, one of the two successor companies to the Central Electricity Generating Board, is sponsoring ITV's national weather forecasts.

Mr Melvyn Bragg, head of arts programmes at London Weekend Television, has also said he is seeking sponsorship for the South Bank Show, the arts programme he presents.

Future rules on sponsorship will be a matter for the ITC and its chairman Mr George Russell, now chairman of the IBA, but it is to use its new freedom to extend the categories of programmes which can accept sponsorship.

If they decide to do so, British television could start to look more like American television where sponsorship is commonplace.

Mr Timothy Renton, the Home Office minister responsible for broadcasting, made clear in 1987 that he thought the existing rules on sponsorship were drawn too tightly.

"It does seem clear to us that that what has been regarded as the unacceptable face of commercial broadcasting is now increasingly accepted by broadcasters as a legitimate source of funding," Mr Renton said at the time.

Not all of Britain's broadcasters are enthusiastic about the possibility of more sponsorship. Mr Michael Grade, chief executive of Channel 4, warned earlier this month: "Sponsorship without tight rules threatens to break the contract between the viewer and the broadcaster."

Talks aim to cut Channel tunnel costs

By Andrew Taylor, Construction Correspondent

PROPOSALS aimed at cutting costs, reducing duplication of management, cutting bureaucracy and overheads, and improving working relations between Eurotunnel, the Anglo-French consortium building the Channel tunnel, and the contractors have been tabled at a series of meetings between executives and directors of the two organisations.

The meetings have been called to try to reconcile differences between Eurotunnel and the contractors over a large rise in the cost of the project.

Three weeks ago, Eurotunnel announced that the project would cost at least £2bn more than the £5bn original estimate.

Contractors and technical advisers to the 200 international banks which have agreed to provide Eurotunnel with £5bn of loans and standby credits have warned that costs could rise to between £500m and £1bn higher than the latest Eurotunnel forecast.

Meetings in the past fortnight between Eurotunnel and Transmanche, a consortium of five British and five French construction companies contracted to build the project, have been considering options for changing parts of the design to reduce costs.

They have also been examining ways of reducing duplication of management at the two organisations and improving communications.

Banks have said that differences between Eurotunnel and the contractors over costs must be reconciled before they will countenance lending any more money to the tunnel project.

Borrowers unbowed by high costs

David Lascelles finds that loans are flourishing against the odds

BRITAIN'S loan boom goes on and on. Few things highlight Mr Nigel Lawson's dilemma more starkly than the apparently unstoppable rise in lending by UK banks and building societies. Even though interest rates are now at 15 per cent, their highest point in eight years, lending is still increasing.

This week's figures showed new loans up by nearly 20 per cent to a record £10.2bn in the month of September. How can this be? And when will it stop?

There is no easy answer to the first of these questions. When the Committee of London and Scottish Clearing Bankers, which collects the lending figures, polled its members this month, it could find no obvious reason for the continuing surge. All that was apparent was the now well established fact that new borrowing is coming mainly from business rather than personal customers.

"No one sector was borrowing out of line. It was right across the board," said the committee.

There are some peculiarities which account for part of the increase. September, for example, is the month when banks impose their quarterly charges in loan accounts. These charges are usually added to the amount outstanding, so loan totals get a seasonal boost. But this probably represents only 2 per cent of the increase, bankers believe.

Another point was that September was a month when a further rise in interest rates was expected, so it was a good time to bring forward borrowing plans. Many companies also tried to make money by re-lending borrowed money back to the markets at higher rates, a practice known as round-tripping.

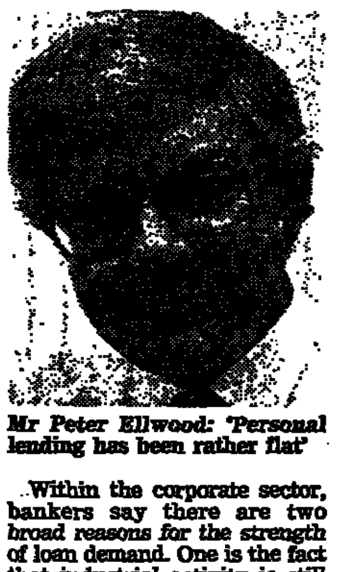
Barclays Bank yesterday became the first clearing bank to increase its mortgage rate in the wake of the latest rise in interest rates.

The bank raised its rate for homeowners by one percentage point to 14.75 per cent, equivalent to 15.6 per cent on an annual percentage rate (APR) basis, slightly below the new level set by large building societies. The rate is effective from Monday.

The move by Barclays, the largest of the bank lenders to the homes market, makes it certain that the other clearers will follow soon. NatWest, the second largest bank lender, said last night: "We are reviewing the position and expect to make an announcement shortly."

Mr Seymour Fortescue, director of UK retail services, said an increase in mortgage rates had become inevitable, but Barclays was keeping the rise to one percentage point because of the impact on household finances.

Barclays is also increasing rates for personal depositors.



Mr Peter Ellwood: 'Personal lending has been rather flat'

Within the corporate sector, bankers say there are two broad reasons for the strength of loan demand. One is the fact that industrial activity is still surprisingly strong in the face of high interest rates. The latest manufacturing output index is up, for example. Companies are also now much better managed, and have more sophisticated ways of protecting themselves against expensive money.

The other reason is gloomier for companies, but possibly better news for Mr Lawson. A good part of the rise is what bankers call "involuntary borrowing" – when companies have to turn to their banks to top up the depleted cash flow from declining sales. As conditions get tighter, businesses also start cutting back on the amount of credit they extend to each other, and that credit gets forced into the banking system instead, where it shows up in the figures.

In addition to that, alternative sources of borrowing for companies, such as the stock and bond markets, are not attractive at the moment because of weak prices. So that, too, forces companies to turn to their banks. Although it is not yet clear how much of the loan demand is "involuntary" borrowing, the fact that it has begun to appear suggests that the cycle is reaching its peak.

More than four-fifths of the September surge came from business. Little of the extra borrowing was coming from the personal sector, where consumers are clearly feeling the pain of high interest rates.

"Overall, personal lending has been rather flat over the last year or so," said Mr Peter Ellwood, chief executive of retail banking at the Trustee Savings Bank. There has, however, been a slight pick-up recently in mortgage lending. Last month the Building Societies Association reported a pick-up in confidence in the housing market, though whether that will survive the subsequent rise in mortgage rates is doubtful.

As for the second question, when will the borrowing boom stop, bankers say that the rise in rates is bound to have an effect.

The Equipment Leasing Association, whose members finance nearly a third of UK investment in capital equipment, has just conducted a survey which shows an easing trend. Mr Neil Grant, the ELA's director, said yesterday: "It indicated that although lending was buoyant in the first and second quarters of this year, the third quarter is showing definite signs that it is beginning to slow." But the slowdown, as Mr Grant stresses, is from a very high level of activity.

Clearing bankers also expect to see an easing in the closing months of this year, though possibly not a dramatic one. "We see lending dropping off slightly towards the end of this year," said Mr Geoff Mainwaring, director of the corporate division of Barclays, one of the UK's largest lenders to companies. But Barclays also expects that involuntary borrowing will keep the overall totals at high levels.

So there are some encouraging signs for Mr Lawson, but also plenty to support his warning at the Mansion House that interest rates will have to remain high for some time.

Consumer spending rise disappoints City

By Patrick Harverson, Economics Staff

CONSUMER expenditure rose slightly to £67.2bn in the third quarter of this year, according to figures released by the Central Statistical Office yesterday.

Although the figures confirmed that growth in consumer spending is slowing, the rise disappointed the City of London which had been looking for a fall in spending of about 0.2 per cent.

The figures provided further evidence that consumers are learning to live with high interest rates, but the impact on consumer confidence of this month's rise in the cost of borrowing to 15 per cent will not be evident until data for the fourth quarter is published.

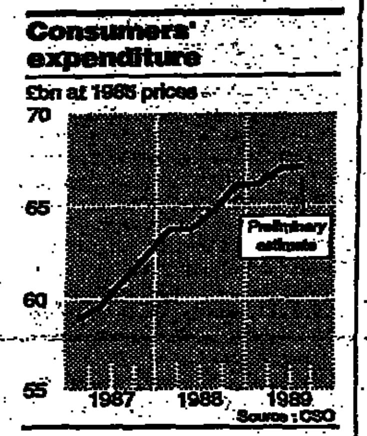
The CSO said spending in the three months to September was 0.1 per cent above the previous quarter, compared with a much larger revised 1.6 per cent increase in the second quarter of this year. It was 3.9 per cent higher than in the same period in 1988.

The CSO said the estimate for third quarter spending reflected the slower rate of growth in retail sales and vehicle expenditure. Car sales in September were particularly slack after a record August.

Total consumer spending for the first nine months of this year now stands at over £200bn, 4.4 per cent higher than the same period of 1988.

This suggests that annual spending growth this year will comfortably exceed the 3.5 per cent target set by Mr Nigel Lawson, the Chancellor, in the Budget earlier this year. It is possible that he will announce a revised target in the Autumn Statement next month. City analysts are forecasting full-year growth in consumer spending of at least 4 per cent.

Consumers have responded to high interest rates by reducing spending in the high street, but continue to spend more on services such as holidays, travel, entertainment and eating out. City analysts believe that the relative buoyancy in consumer confidence leaves little room for interest rates to come down in the short term.



Analysts said the figures also reduced the likelihood of any rapid improvement in the UK trade account. While consumer spending grows, imports will continue to be sucked in.

Cecil Parkinson (left): Letter to Christopher Tugendhat

Move to ease air traffic curbs rejected

By Ralph Atkins

MR CECIL Parkinson, Transport Secretary, yesterday rejected proposals for relaxing air traffic restrictions at the London airports of Gatwick and Heathrow.

The Civil Aviation Authority had proposed an easing of night noise limits at both airports. It also wanted charter flights allowed into Heathrow and priority given to business and corporate aviation for spare peak-time "runway slots."

In a letter to Mr Christopher Tugendhat, CAA chairman, Mr Parkinson stressed the "vigour and enterprise" of the airports industry, but he was "very reluctant" to change current noise restrictions before 1992.

He was anxious to encourage business aviation but giving it priority at peak hours would bring negligible benefits.

On charter flights, he said that allowing them to land at Heathrow would not make a significant contribution to balancing supply and demand for runway capacity in London.

Mr Parkinson agreed that so-called "deferred rules" put forward by the Department of Transport in 1986 should not be introduced. These would have given priority to scheduled traffic at Gatwick.

Chamber on standby to decide spending

By Ralph Atkins

THE "Star Chamber" is thought to be on standby, and may be required to sit before the Government reaches final agreement on its budget for the next financial year.

Mr Tony Newton, the Social Services Secretary, is believed to be near a compromise with the Treasury over his budget for 1990-91. Social Services, the biggest spending government department, had a budget of more than £50bn this year.

A settlement would leave only the Transport and Education departments yet to reach agreements. Although both are thought to have made significant progress towards agreement the Star Chamber is thought to be on standby if agreement is not reached within the next week.

The chamber, which this year will be chaired by Sir Geoffrey Howe, the deputy Prime Minister, is the final arbitrator when the Treasury and departments fail to reach agreement. Reaching agreement without recourse to the chamber would boost the standing of Mr Norman Lamont, Chief Secretary to the Treasury.

This year's public spending round has been particularly difficult because of higher-than-forecast inflation and demands for improvements in public services. Officials yesterday thought there was still a high probability that the Star Chamber would be needed.

In a speech yesterday, Mr Newton said spending by his department had risen by a third in real terms in the past ten years. In meetings with the Treasury, Mr Newton is thought to have faced considerable pressure not to uprate some disability allowances.

At the department of education remaining stumbling blocks are thought to include spending on polytechnics and universities.

The Government will be keen to keep its total budget for 1990-91 close to the target of about £170bn in order to ensure its anti-inflationary credentials.

VAT shortfall reaches £847m

By Richard Donkin

THE Customs and Excise uncovered £847m of under-declared value added tax during company visits in the last financial year according to its annual report published yesterday.

It says this figure could have been higher, but the department suffered recruitment problems and increasing staff resignations, mainly in the south-east.

Resignations totalled 1,728, including 475 executive officers and 114 higher executive officers. This represented 6 per cent of the department's staff and was an increase of 27 per cent on the previous year.

The report estimates an average loss per VAT officer of £200,000 a year at the higher executive level and £100,000 at executive officer level.

Customs and Excise staff made 460,000 visits to VAT-registered traders over the year, according to the report. Over-declarations totalled £24m.

The department, which cost the taxpayer £508m in the last financial year, drew in £49.7bn for the Treasury during the year – 41 per cent of UK tax revenue.

Net receipts, covering VAT, car tax and duties on oil, tobacco, betting, alcoholic drinks and other commodities, showed a £5.047bn increase on the previous year. VAT net receipts in 1988/89 were £27.3bn.

● Drugs with a street value of £200 million were seized by Customs officers over the year. The 6,272 seizures compared with with 5,241 seizures worth £161m in the previous year.

The number of people arrested for drug offences was 2,519 compared with 2,201 in the last financial year.

Fimbra changes discipline rules

By Richard Waters

THE disciplinary procedures of one of the City's self-regulatory bodies have been overhauled following concern that they are too slow and cumbersome.

The Financial Intermediaries Managers and Brokers Regulatory Association, which regulates mainly small investment firms, said yesterday the changes followed concern about "defects" in its current rules, which prevent it dispensing "speedy and effective justice."

Under the new rules, to take effect on 1 December, Fimbra's judicial disciplinary hearings will be scrapped. Judgement will be passed by a new disciplinary committee, which will meet weekly and will generally not hear evidence from firms which are the subject of the proceedings.

Firms will continue to have the right to make their case, with a lawyer present, at an appeal hearing. Fimbra says reducing the number of judicial hearings from two to one will speed up the process.

In a further change, Fimbra will be able to issue "Rule 17" suspensions, which prevent firms from trading or disposing of any of their assets, within a day.

LAW SOCIETY ANNUAL CONFERENCE — **REPORTS BY RAYMOND HUGHES**

Firms sell their attractions to students

SEVERAL speakers at the conference have emphasised the need for solicitors to market themselves.

In the basement of the Conference Centre yesterday they were doing just that – not as providers of legal services but as potential employers.

For the second year running, a careers and recruitment fair was held in conjunction with the conference. Last year in Cardiff about 50 City and provincial firms set up their stalls and hawked their attractions to nearly 1,000 students.

This year there were 80 stands gratifyingly beset by 1,200 students, over 1,000 of which had been provided with transport to get to the centre.

Glossy brochures abounded; stands displayed large colour photos of happy, satisfied articled clerks; there were ballpoint pens bearing firms' names; one stand even offered liquid inducement of Muscadet or Malvern water.

No one nowadays, it seemed, is too grand to go into the market place. Even Clifford Chance, the UK's largest law firm with 195 partners and 549 other legal staff, was there. With a bold poster, it announced itself as "A law firm for the world of business and finance."

Mr Alastair Dawson, Clifford Chance's head of personnel, said before the fair was half over: "We've had so many people wanting to talk to us that we've run out of brochures."

Clifford Chance is looking for about 100 articled clerks in 1991-92. At the other end of the scale the five-partner Leeds firm of Shulmans – "A young modern partnership with a commercial outlook" – wants only two.

In a break between chatting to students, Mr Andrew Bradley said that the Leeds firm's broad base seemed to be an attraction.

The Crown Prosecution Service, which continues to suffer a serious staff shortage, was very happy with the interest being shown in it. Ms Maria Higgins and Mr Brian Carrick said that responses to the fact that the CPS now offered articles, that it had nationwide offices, and that it promised a career of responsible service, rather than making money for a firm, augured well.

Solicitors told to improve knowledge of business

SOLICITORS need in-depth knowledge of their business clients' industries if they are to keep up with changes in the marketplace, the Law Society's conference in Harrogate was told yesterday.

Mr Len Brooks, managing director of P-E Inbucon, also urged legal practices to spend more time, effort and money on management, business and sales training to improve performance as their operations become more competitive.

Mr Brooks said financial control was a weak area among solicitors: "It seems to take some of you far too long to raise invoices and to chase up standing debts."

Referring to the effects on solicitors of the entrance by building societies and banks into conveyancing, Mr Brooks said he doubted whether they would want to take on the fixed costs of conveyancing.

It would be much better for them to negotiate annual contracts with selected solicitors, he said. That would mean solicitors bidding for contracts and being selected on the basis of quality, speed and price.

He went on to warn against solicitors fearing that this style of working would endanger their independence: "You would not want the financial bodies to set up their own teams of solicitors."

Deal on student loan finance 'near'

By Ivor Owen, Parliamentary Correspondent

NEGOTIATIONS with financial institutions about the Government's scheme for loans to top up student grants were nearing completion, Mr Robert Jackson, a junior education minister, said in the Commons yesterday.

The scheme was strongly criticised in a succession of speeches from the Conservative back benches.

It was also described as "fatally flawed" by Mr Jack Straw, the shadow Education Secretary, who argued that it was intended as a precursor to tuition fees.

Mr John MacGregor, Education Secretary, insisted that a "cost effective and practical scheme" was taking shape, and refused to accept that the income tax system should be used to recoup money advanced in loans through a special charge on graduates.

While the minister insisted he had no plans to introduce tuition fees, Mr Straw accused him of inconsistency "to the point of mendacity." That was because of earlier government statements that the planned expansion of student numbers should not result in a bigger proportion of public expenditure being devoted to higher education.

Mr MacGregor maintained that a tax on graduates would be unfair because it would not distinguish between those who had benefited from public funds and those who had not. Government policy was to simplify the tax system, not complicate it.

Mr Keith Hampson, Conservative MP for Leeds North-West, warned that the top-up loan scheme would not be seen to be fair unless the repayment provisions were right.

He argued that the income tax system was the only way to relate repayment to income.

He complained that the scheme was the "worst kind of compromise," with the Government providing public money for the private sector to distribute through a quango. The Government would then have to recover it.

Mr Robert Rhodes James, Tory MP for Cambridge, who presented a 5,000-signature petition from his constituency opposing the scheme, said it was wrong in principle. He feared it would be a disincentive to people wishing to go into higher education.

Mr Anthony Nelson, Chichester's Conservative MP, dismissed as "bogus" government claims that top-up loans would increase access to higher education.

In the final speech from the Opposition front bench, Mr Andrew Smith, representing Oxford East, promised that the next Labour Government would repeal the scheme.

He said the banks and the building societies had the Government "over a barrel" because it had invested reckless amounts of political capital in the scheme before getting financial institutions to sign on the dotted line.

GCSE body warns over national curriculum

By David Thomas, Education Correspondent

MAINTAINING the standards of the General Certificate of Secondary Education examination will be extremely difficult under the latest proposals for the national curriculum, the Government was told yesterday.

The warning was given in a nine-page letter about the curriculum written by the Joint Council for the GCSE, representing all the GCSE examining groups.

The letter is the most sustained criticism yet by an official body of the way the curriculum is being implemented.

It was sent to the Schools Examination and Assessment Council, which is overseeing the introduction of the curriculum's assessment procedures on behalf of the Government.

The GCSE examining groups also question whether the curriculum's tests will produce results which will be able to sustain reliably objective comparisons between schools.

The groups' letter says that the authorities latest proposals could have the result of undermining the curriculum's two fundamental objectives. It defines these as, first, to provide reliable information about the performance of schools and, secondly, to encourage good classroom practice.

The examining groups are particularly worried about the Government's plans to merge two types of test. One is the ten-grade tests in the curriculum for pupils aged 16. The other is the GCSE, which has seven grades from A to G.

The letter says that striking an exact correspondence between GCSE standards and the curriculum's attainment targets or goals will be impossible: "Either GCSE standards will be abandoned, subject by subject, or attainment targets will have to be adjusted in the light of experience."

The examining groups argue that the authorities have underestimated the cost and complexity of ensuring that teachers and schools administer the curriculum tests to common standards.

Their letter warns: "The need for procedures to ensure the alignment of standards of marking between teachers must not be ignored nor must their costs."

Last of the Guildford Four freed

MR PAUL HILL, the last member of the Guildford Four to be held in custody, was freed yesterday amid emotional scenes at the High Court in Belfast.

Mr Hill, cleared at the Old Bailey on Thursday of the 1974 Guildford and Woolwich pub bombings, was released on £100 personal bail and two sureties of £2,000 each by his uncle and Mr Jeremy Corbyn, the Labour MP for Islington North, pending an appeal against his conviction and life sentence for the murder of a former soldier in Belfast 15 years ago.

He was swept out of the court by friends and relatives after a private meeting with his 14-year-old daughter Cara – born three weeks after he was arrested.

In a hearing lasting less than 10 minutes, Mr Hill, 35, was told by Lord Justice O'Donnell, president of the Court of Appeal, that he was being allowed out because of the "exceptional circumstances" of the case.

Lord Justice O'Donnell, sitting with Lord Justice MacDermott and Mr Justice Nicholson, said they had read a transcript of Thursday's proceedings in the Court of Appeal and would accept an extended time in which to lodge an appeal.

Mr Douglas Hurd, the Home Secretary, rejected calls for a review of the case of the six imprisoned for the Birmingham pub bombings.

Lawson looks to 158-year-old guru for economic initiative

By Simon Holberton, Economics Staff

IT SEEMS that every one needs a guru. The Prime Minister has Sir Alan Walters, but what of Mr Nigel Lawson, the Chancellor?

Surrounded by the Treasury mandarins, the stormtroopers of Whitehall, Mr Lawson may not feel he needs one. But in his speeches, the name of Goschen has begun to appear.

The most recent citation was on Thursday night at the Mansion House when the Chancellor announced what might be the beginning of the Government's attempt to restructure the national debt.

Viscount George Goschen (1831-1907) was a distinguished Chancellor of the Exchequer in Lord Salisbury's Government.

His political career is remembered chiefly for his conversion and consolidation of the greater part of the national debt in 1888.

He converted £591m of debt, then yielding 3 per cent. He offered 2.75 per cent for the first 14 years and 2.5 per cent thereafter.

Mr Lawson's initiative is more tentative. Couched in terms which appear to provide a ready-made escape if it fails – it is a "modest" and "experimental" venture, the Chancellor said – the Bank of England is offering to convert one UK Government bond, of which there is only £399m in market hands, into another much larger issue, of which there is £1.6bn in market hands. If it works the market can expect more such experiments, the cumulative effect of which might be to reorganise the gilt-edged securities market into one of fewer but larger issues.

Goschen: converted the national debt in 1888

Mr Lawson also shares another interest with Goschen – exchange rates. Goschen's The Theory of Foreign Exchanges (1861) was a standard text on the subject in the latter half of the 19th century.

Goschen had a strong desire to avoid interference in what he called the "natural" workings of the price system. For him the exchange rate was self-adjusting and he believed that in altering its interest rates the Bank should follow the market.

Mr Lawson's attitude to the exchange rate is, however, a little less permissive. He is a believer in exchange rate stability and, on Thursday, reminded the City that the exchange rate is one of the two most important monetary indicators.

Goschen's views on the exchange rate were controversial when he made them – the Bank was then, as now, an manipulator of interest rates – and it is unlikely that Mr Lawson would derive much succour from them now.

In a barely guarded refutation of Sir Alan Walters' known views on the exchange rate, the Chancellor said it was a most important part of the transmission mechanism through which monetary policy affects inflation.

Revenue drive may lock canals into profit

Kevin Brown finds critics fearful of 'naked commercialism' at the Waterways Board

COULD Britain's 2,000 miles of state-owned inland waterways start making a profit, more than 150 years after most of the original owners were forced out of business by the railways?

That is the intriguing prospect raised by changes taking place at the British Waterways Board, the nationalised industry set up in 1963 to manage the 200-year-old system.

Mr David Ingman, the board's chairman, says there have been no privatisation talks with Mr Chris Patten, Environment Secretary, and were none with Mr Nicholas Ridley, his predecessor.

But Mr Ingman makes no secret of his plans to cut costs, maximise revenues, and find ways of operating commercially, even if the final objective remains unclear.

The new approach is being pushed through by a board composed entirely of businessmen recruited from the private sector for their entrepreneurial skills.

The pace of change has been so fast that Mr Ingman, a former ICI executive, is the longest-serving board member after just two years in office.

Below board level, commercial executives have been brought in to promote development, and the organisation has been split into 28 regional businesses, each of which has been told to find ways of increasing revenue.

The new strategy is spelt a five-year business plan which calls for a big reduction in the Government's £45m subsidy to the board's £65m running costs, while also providing for increased investment.

The heart of the strategy is to increase the three main sources of revenue. These are:

- Freight. British inland waterways have been less successful than their counterparts in continental Europe at maintaining freight traffic because of the short distances involved and the 700 tonnes cargo limit on most of the network, compared with 2,500 tonnes on most continental waterways.

Commercial traffic amounted to 4.4m tonnes last year, the highest since 1983, but freight activities lost £24,000 despite the sale of eight loss-making inland storage depots and ship wharves.

- Tourism and leisure. Nearly 30,000 boats are licensed to operate on the waterways, and anglers paid more than £300,000 last year for fishing rights. Revenue was £5.4m last year, but could probably be increased by better marketing, and development of more income-generating facilities such as marinas.

- Property. Rental and other income from non-operational property rose by nearly £2m last year to £9.5m, and property income will provide much of the capital for future investment.

But the board is not sitting on a fortune in undeveloped property – in most cases it owns just the towpath on one side of its canals and nothing on the other.

The board's developable land is valued at £271m, and a number of joint venture projects are already under way,

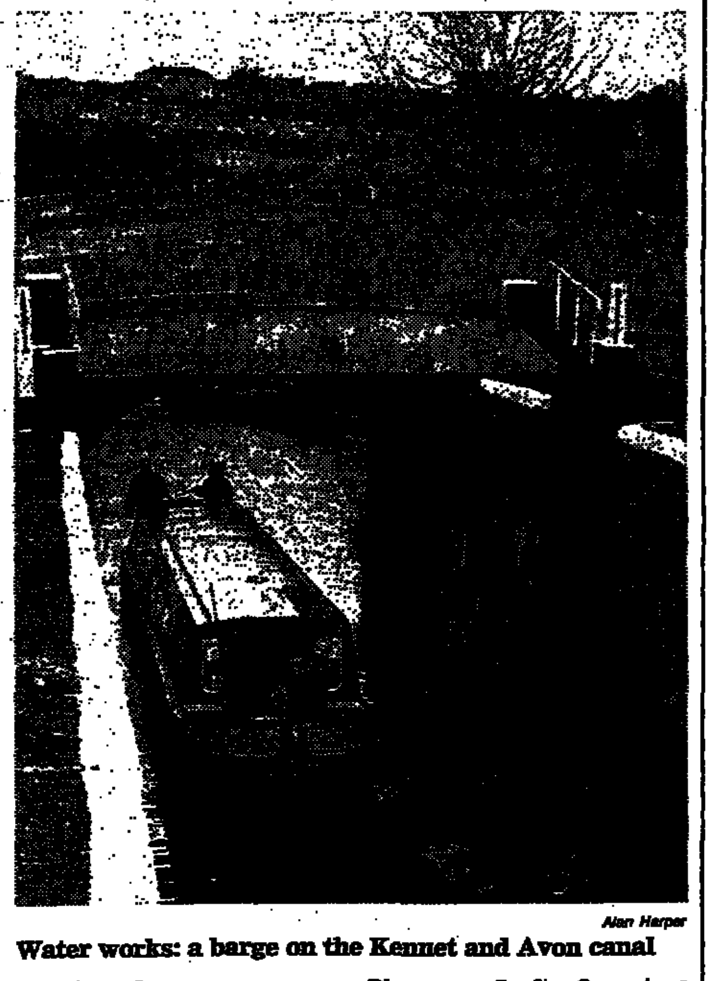
The board also has one or two other sources of income, such as water sales to industrial users, which might be expanded.

But even if last year's total commercial revenue of £20.8m could be doubled, it would not be enough to wipe out the subsidy.

So the real key to profitability could lie in the incidental role of the waterways as an important part of the land drainage system.

Land drainage is of immense importance to farmers, the soon-to-be-privatised water authorities and others, but the board receives no payment for the service, which is regarded as little more than a beneficial by-product.

The board estimates that the service is worth £24m a year – roughly half the size of the subsidy. If the Government could be persuaded either to pay a fee for drainage, or to force the water companies to do so, the commercial position of the waterways would be transformed.



Alan Harper

Water works: a barge on the Kennet and Avon canal

The Government is thought to be sympathetic to this proposal in principle, although there are difficult issues to be resolved, such as identifying exactly who the beneficiaries of drainage are.

Even if a solution to this problem could be found, however, there are a number of serious obstacles to be overcome before the waterways can become a commercial proposition.

The most important is the heavy cost of engineering and maintenance work on the canal system, much of which was not constructed to modern standards, and most of which has suffered from decades of underspending.

The board had 61 projects under way last year, with a total value of £24.5m. But the maintenance backlog is estimated at £203m, of which £45m is classed as critical.

There are also serious objections from many waterway staff and independent authorities such as the Association of Pleasure Craft Operators (APCO) about the apparent replacement of the board's public service ethos with what some regard as naked commercialism.

These fears apply particularly to the board's plans for joint developments on canal-side property, which critics fear would destroy the unique ambience of the waterways.

"We do not want a series of 'Toytown' developments designed to appeal to yuppies, decorated by old gentlemen splicing ropes and old ladies knitting their own underwear," APCO stated recently.

Despite Mr Ingman's denials, critics of the board's strategy will continue to fear that the result will be privatisation.

They may be right. The financial problems facing the waterways are such that the opportunity for a successful flotation is unlikely to arise for several years.

But if the Conservatives win the next General Election, it may not be too fanciful to pencil in a date in the mid-1990s.

Union warns Ford workers against unofficial strikes

By Michael Smith, Labour Staff

UNION LEADERS at the Dagenham plant of Ford have indicated to members that that their jobs could be at risk unless they improve their record on unofficial strikes and play a bigger part in improving the quality of the factory's products.

The warning was made in a letter, written by shop stewards and officials of the TGWU general workers' union, and comes in the wake of 30 unofficial stoppages this year with the cost of several thousand vehicles.

About 2,000 copies were sent out for distribution among the union's 5,000 membership at Dagenham as the union began pay talks with the company.

Management is expected to respond on Thursday to the union's demand for a "significant increase" and a reduction in the 39-hour week.

The letter is one of a regular series of communications put out by the union to inform members of developments. Its tone suggests growing concern about the future of the plant following the company's decision to switch the production of the Sierra model to Belgium.

In the letter, the Ford workers were told that Dagenham has worse performance figures on schedule achievements and quality than the other five European body and assembly plants.

"There is a real danger that Ford will decide to close a plant in the early to mid 1990s. The plant most likely to close at the moment is Dagenham."

In a warning about unofficial stoppages – those which have not been approved by ballots or by union officials – the letter said that "unnecessary barriers to scheduled achievement must be removed." Problems could and must be resolved through procedural decisions.

"Too often unconstitutional stoppages have diverted attention from management failure to address problems correctly."

Union members were also informed in the letter that "Quality is a trade union issue. All members need to act to ensure that high quality standards are achieved."

The union officials made clear that their desire to help improve the plant's productivity and strikes record will not affect their determination to drive a hard bargain in the pay talks.

"The forthcoming claim must provide Ford workers with decent wages and shorter hours if you are to have the proper incentive to turn people round," the letter read.

Ford said yesterday that there were no plans to close Dagenham. It had recently invested about £125m in the plant.

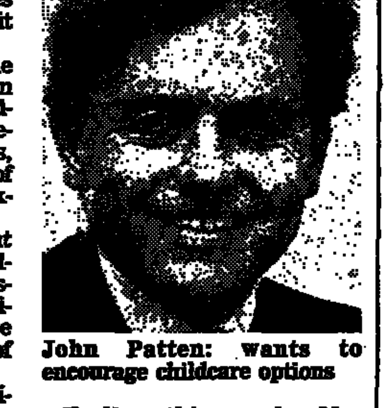
Government to help fund childcare body

By Our Labour Editor

THE GOVERNMENT is to help fund a national body giving working parents and employers advice on private nurseries and local childcare services, it was announced yesterday.

The decision to provide pump-priming funding for an association of childcare providers was taken by the ministerial group on women's issues, which is looking at ways of improving provision for working parents.

The Home Office said that limited funding would be available to support private nurseries in establishing an association that would give information and set a code of practice for members.



John Patten: wants to encourage childcare options

The decision follows a private sector initiative backed by Business in the Community to establish a network of local centres providing advice to employers on the range of locally available childcare.

Mr John Patten, Home Office Minister and chairman of the ministerial group, said a national advisory body would give employer and parents a point of contact to find out about the quality of private childcare.

"It is crucial that with the increasing demand from working parents for childcare of different sorts, and the growing number of businesses keen to meet this demand, quality control should exist," he said.

The voluntary accreditation scheme was one of five aspects of a plan for improved childcare agreed by the ministerial group in April. The lack of public childcare provision has been criticised by employers and unions.

Earlier this week, Mrs Angela Rumbold, Education Minister, wrote to all local education authorities and governing bodies in England, encouraging them to use school premises for care of children outside school hours.

There is increasing backing from private sector employers for a more coherent network of childcare because of difficulties in recruiting and retaining women with the responsibility for looking after children.

The Government has faced criticism because Britain is among the worst providers of publicly-funded childcare in the European Community.

Mr Patten said the Government wanted to encourage a wide range of childcare options. Voluntary accreditation of providers in the childcare sector would reassure working parents that their children were receiving adequate care.

Thames TV imposes pay rise on technicians

By John Gapper, Labour Editor

THAMES TELEVISION has imposed an 8 per cent pay rise on its technicians, and told other staff that they have until the end of this month to accept new working arrangements that would cut overtime and bonus payments.

The company's move follows prolonged deadlock over negotiations on new work practices after the break-up of joint national pay bargaining among ITV companies. Most other ITV companies have now reached new agreements.

Thames has imposed a pay increase on members of the ACTT technicians' union. New working arrangements for ACTT members came in earlier this year after the union withdrew from joint national bargaining in July last year.

It has told members of the Beta studio and clerical staff union, EETPU electricians' union and NUJ journalists' union that the new working arrangements similar to those in force for ACTT members will be imposed from November 1.

If the unions agree to the new arrangements, an 8 per cent rise on basic pay would be backdated to July 1. The company has said it will not backdate the award if the staff involved fail to agree.

Talks at Thames over the new house agreements have been delayed by the unions' refusal to negotiate separately and the company's insistence on individual talks. The unions have negotiated jointly at other companies.

Mr Mark Stephens, Thames personnel director, said the company had acted to break the deadlock after staff mass meetings voted to back the shop stewards insistence on joint talks.

Under the new house agreements, Beta and EETPU members would lose the right to be paid for eight hours work at double time if they work past 1 am. Penalties for not observing 10-hour breaks between shifts would also be removed.

The company is also refusing to increase London weighting payments of £1,537 on the grounds that the end of joint bargaining with the other companies ends the relevance of special London payments.

The ACTT working arrangements were imposed on ACTT members at Teddington in March this year after they voted not to accept them. They were agreed by ACTT members at the company's central London studios.

Opencast miners to strike over severance payments

By Our Labour Staff

OVER 1,000 coal workers in South Wales, who are members of the TGWU union, are planning a series of one-day stoppages in a dispute over severance payments.

The workers are planning a mass meeting next Wednesday to draw up a strike strategy after TGWU members in seven opencast sites in the region voted by nearly 70 per cent in favour.

The opencast workers, who are employed by private contractors, are claiming severance payments of £1,000 for every year in the industry. This is similar to that paid to underground miners employed directly by British Coal.

British Coal is warning that any strikes in the sector could put jobs at risk and halt expansion plans. But local union officials say the ballot result reflects frustration over long-standing grievances.

Mr Phil Shepherd, a TGWU local officer, said yesterday: "The clear message from the ballot is that our members believe we have a just claim . . . we have spent three years trying to get an improved system but British Coal is just not interested in discussing it."

Opencast mining in South Wales is widely considered to be one of the region's most profitable operations.

However, long-serving opencast workers who are made redundant stand to receive as little as £3,700 compared with the £30,000 paid to miners, according to TGWU officials.

TGWU to step up recognition campaign at Tilbury Docks

By Jimmy Burns

THE TGWU transport union is preparing to step up its campaign to win back recognition at one of Britain's biggest ports after claiming to have won substantial support from the local workforce.

The union is expected to announce on Monday the result of a ballot showing that a majority of the 1,090 workforce at Tilbury Docks has voted in favour of being represented by the TGWU in collective bargaining.

The Port of London Authority, which owns Tilbury Docks, said last night that it believed that less than 10 per cent of the workforce had voted in the ballot and repeated its refusal to recognise the union.

The company has told its customers that it considers its commercial viability largely depends on the radical changes in working arrangements it has secured since the end of this summer's docks strike.

The TGWU is likely to see the result of the ballot at the one big port which has de-recognised the union as a welcome indicator that its fortunes could be turning for the better after the strike.

According to shop stewards, about 640 employees were targetted at Tilbury in a ballot conducted outside the docks gates. Over 530 responded including former registered dockers, electricians, lock keepers, and PLA staff.

It is thought that PLA had earlier refused a request by the union to hold either a workplace or a postal ballot. Some former registered dockers are believed to have been warned by management that they could be in breach of contract for attending meetings organised by the TGWU in working hours.

Monday's ballot result announcement will coincide with the start of an 18-day industrial tribunal hearing of a claim for unfair dismissal by 17 Tilbury shop stewards and officials. The case, which will be heard in three sessions between next week and December 1, will revolve around the shop stewards' claim that they were selected for redundancy because of their trade union activities.

A further 100 dockers are preparing claims for unfair selection for dismissal after being sacked during the docks strike.

Since the strike ended on August 7, TGWU membership in the docks industry has been substantially reduced with port employers pushing through redundancies and radical changes to working conditions.

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The limits of co-operation

WHAT IS THE connection between Sir Alan Walters' view of the European Monetary System, Mr Alan Greenspan's now notorious speech in Moscow and the stock market crash? Surprisingly perhaps, there is a clear answer to what looks like a trick question. What they share are the problems of international economic cooperation.

Sir Alan Walters believes the EMS is "half-baked." The public comment was unwise, but he is not unique in holding this view, as can be seen from a reading of this year's Wincott Lecture by Professor Deepak Lal. For the liberal economist there are only two fully-baked systems: floating rates, on the one band and irrevocably fixed rates, on the other. Sir Alan's view that a fully fledged economic and monetary union is far more defensible and, in the right circumstances, workable than the current EMS is not surprising.

No more surprising is the reaction of ministers like Mr Nigel Lawson. They are, quite understandably, piqued by Sir Alan's remarks because they believe he is the court jester, licensed to utter what his mistress thinks, but does not wish to say. But there is substance to their objections as well. At the Mansion House Mr Lawson reiterated his liking for the EMS and his deep suspicion of EMU. As a politician, what he likes about the EMS is precisely that it is half-baked. The *EMS provides an opportunity* for cooperation, which is good, but it provides an escape as well, which is better.

Back-biting

If the EMS is half-baked then cooperation among the group of seven industrial countries is quarter baked at best. It is built around a limited number of loose commitments, the most important being to exchange rate management. These commitments are made by policy-makers who have conflicting values, objectives, powers and opportunities. It is a process with limitless potential for back-biting among participants and confusion among onlookers.

This provides the best rational explanation — or at least excuse — for the crash on the world's stock markets in October 1987 and the mini-crash of 1989. Interpreting the G-7's objectives requires Kremlinological arts. It is entirely appropriate, therefore, that a comprehensively misinterpreted speech by Mr Greenspan in Moscow should have been a part of the background to Wall Street's collapse.

Mr Greenspan suggested that it was a mistake to uphold inappropriate currency values. *Ergo* he was offering a coded complaint about the finance ministers' agreement to drive down the dollar. The Japanese banks refuse to participate in the buy-out of United Air Lines. *Ergo* Tokyo was complaining about the failure of the US to play its part in exchange rate management.

It can be no accident that the proximate cause of the two crashes was the appearance of such conflicts within the G-7. The considerable confusion about what policy makers are up to adds an important additional element to the uncertainty already inherent in the ebb and flow of economic life.

The answer, it would appear, is to eliminate conflicts among policy-makers. Unfortunately they are inescapable. Some times the differing interests and objectives of the G-7 countries coincide both with one another and with the underlying economic pressures. At other times, they do not. This is not surprising when one remembers, for example, that what is regarded as reasonable price stability in the US is viewed as the first step to hyperinflation in West Germany.

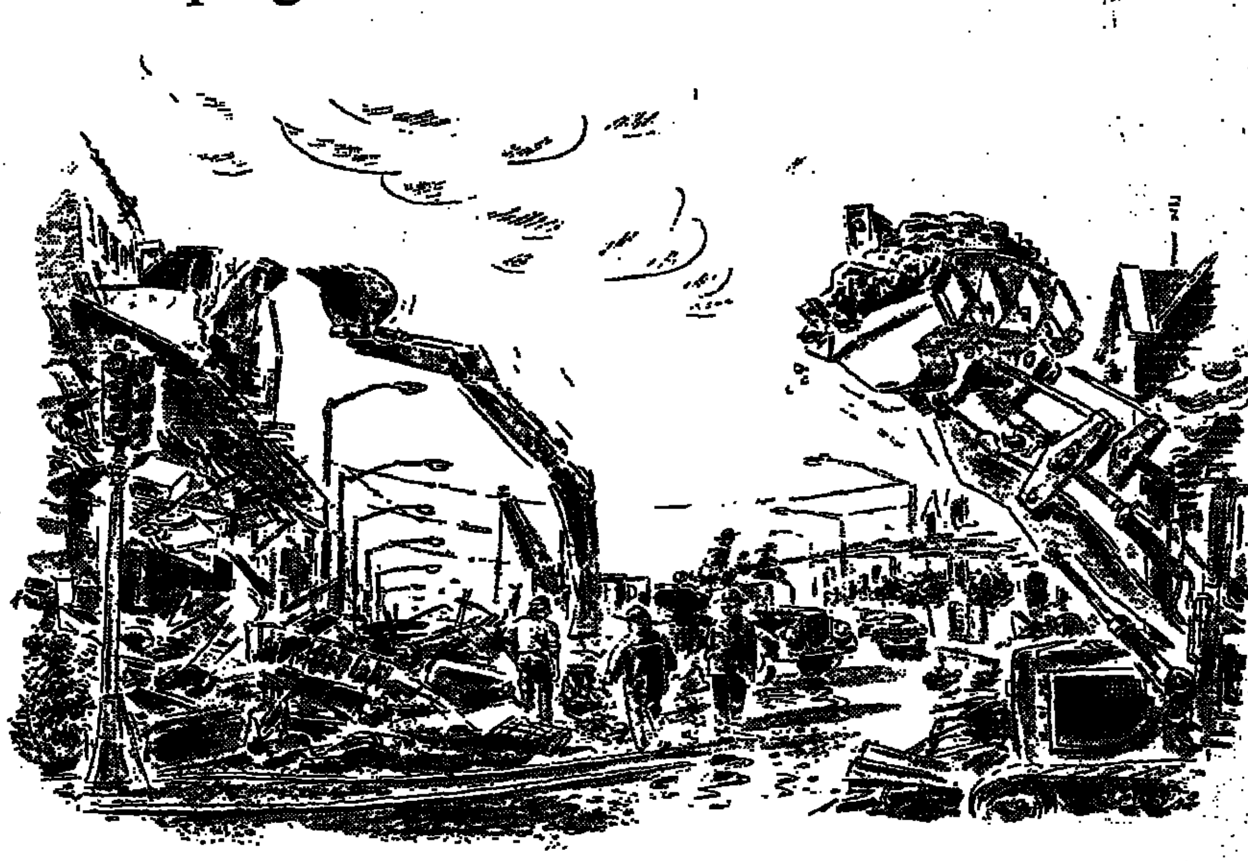
Predictable structure

Partisans of the EMS would argue that it provides just the sort of articulated, and so more predictable, structure that the looser G-7 process lacks. This is correct as far as it goes, but it does not go all that far. Serious problems remain, problems that the move to Emu is intended to solve. To take the main current example: there is a growing conflict between the Bundesbank's desire for an appreciation of the D-mark and the desire of almost everyone else to avoid one.

The radical critique of current forms of international economic cooperation carries with it a few central lessons: first, the process of cooperation can have long term effects only to the extent that it changes domestic policies. Secondly, one cannot achieve through international sleight of hand what one will not contemplate at home. No magic wand will eliminate the US current account deficit. It will almost certainly require a change in fiscal policy instead.

Finally, a short term tactical agreement will not allow an escape from strategic conflicts. France may now be able to maintain the value of the franc against the D-mark, but not because of a desire for exchange rate stability alone but because she seeks German levels of inflation. In short, cooperation is not the sort of magic pill that will allow policy-makers suffering from domestic headaches to wake up feeling better in the morning.

Lionel Barber reports on how Californians are coping with the effects of the earthquake



'It's going to be a long, cold winter'

IT was 36 hours after the earthquake and Mr Morris Weiss, a dapper 65 year-old private investor from Berkeley, was riding into San Francisco to do business.

As the Bay Area Rapid Transit (BART) train pulled out of West Oakland station, Mr Weiss joined the other passengers searching for a glimpse of the collapsed two-tier section of the Nimitz Freeway and the dozens of cars trapped inside. "It's the first time I've ridden BART in years," he said, returning to his seat, "usually I go by car."

Like Mr Weiss, thousands of Bay Area residents have begun to grasp that life in the next few months – maybe years – is going to be very different after the great quake of 1989. Despite the survival of nearly all major structures in the city of San Francisco and a commendable clean-up effort by the public services and private utilities, the long term damage to the regional economy is likely to be substantial (notwithstanding Silicon Valley's seemingly miraculous escape — see below).

Estimates of the cost of repairs in the Bay Area alone run to several billion dollars; the figure climbs even higher when extended to hard hit towns further south of San Francisco such as Los Gatos, Santa Cruz, and Watsonville which were closest to the earthquake's epicentre near the San Andreas fault. "It's the Western version of Hugo," said Mr Richard J Roth Jnr, the assistant state insurance commissioner, in a reference to Hurricane Hugo's record $4bn of damage in South Carolina earlier this year.

The politicians (including President George Bush who arrived here yesterday) are aware of the stakes involved: Lt Governor Leo McCarthy, running for the governorship next year, did everything this week to stay on camera, even clambering down to inspect the stricken Bay Bridge. His less acrobatic Republican opponent, Senator Pete Wilson, preferred stand-up interviews on network television. The biggest headline snatcher was Mr Art Agnos, the Democrat Mayor of San Francisco who accused Vice President Dan Quayle of snubbing him on visit to the disaster area.

These antics apart, reaction among local politicians has leaned towards boldness. Less than 48 hours after the quake struck, Governor George Deukmejian raised the prospect of a temporary petrol tax to rake in funds for the relief effort. Only the day before, the Republican Governor had declared that the state's $1bn reserve ought to be adequate and branded Democratic talk of a tax rise as "premature."

Mr Deukmejian, an old ally of the former California Governor Ronald Reagan, seems to have grasped that federal aid on the scale he needs will not be forthcoming. The Federal Emergency Management Agency — criticised for a sluggish response to this year's Alaskan oil spill and Hurricane Hugo — is already stretched to the limit. Indeed, President Bush's initial provision of $273m of aid comes out of the $1.1bn already approved by Congress for the hurricane clean-up. Finding the extra money will force Congress to skirt federal budget deficit limits further.

Thus, this week's earthquake presents both a challenge and an opportunity for political leaders in California. On the one hand, they face a population which ever since Proposition 13, the 1970s' tax revolt, has been hostile to raising taxes to improve public services; on the other, they see that an elemental force of nature has sent many citizens into a state of shock. This could mean that the Bay population could be receptive to an active role by the state government in tackling pressing problems.

Even before the quake, the Bay Area's transportation system was in crisis. Daily traffic jams have spelt gridlock on the highways and bridges for years. The 15 second tremor, which began at 5.04 pm early on Tuesday evening, snapped a section of the depression-era San Francisco-Oakland Bay Bridge and segments of freeway on both sides. Together these form the main arteries which connect San Francisco to the south and the east.

Some 500,000 vehicles normally cross the Bay Bridge each weekday. Latest official estimates are that the bridge can be back in operation within three weeks, but this looks optimistic. The first clues will come on Monday when many Bay Area commuters venture for the first time back to work. "The transportation problems will continue for some time and will have a major economic impact," said Ms Paula Shultz, deputy director of the Bay Area Regional Earthquake Preparedness Project, a state agency.

However, the overburdened highway system could force car addicts like Mr Weiss to back an expansion of BART, something which public officials have dreamt of for years. It might even guarantee public approval of the area's big transportation programme, which would also be based on a petrol tax increase, and is expected to be voted on next year.

A second concern is that transportation difficulties may encourage Bay residents — who face an average 30-40 minute drive to work — to cut their losses and move further inland, perhaps to the fast growing area around Sacramento to the north.

Mr Larry Bell, executive vice president of marketing at the Federal Reserve Bank of San Francisco, says some residents are already moving because of surging property prices, summed up by first time buyers having to pay up to $300,000 for a two bedroom house.

Like numerous Bay residents, Mr Bell is an immigrant. He came to San Francisco from his native Kansas, 30 years ago, in search of opportunity and a better quality of life. "The earthquakes are not going to drive me out," he says, echoing a determination voiced by numerous people I interviewed this week: the Taiwanese taxi driver, the old Polish army officer from Chicago, and the young lady clairvoyant standing with her Alsatian waiting for the Bay ferry. "I guess you could say I should have seen it coming," she said, "but my precognitive faculties were not working well."

There has always been a sense of fun in high rolling San Francisco, going back to the days of the Gold Rush in the 1840s when miners used the city as their base. In 1906, when a devastating earthquake struck, the city was packed with opium dens and all-night bars, an atmosphere best captured in the Hollywood movie starring Clark Gable (who fell to his knees in repentance at the end of the film as San Francisco goes up in flames).

Most of the lessons learned after 1906 apply less to morals and more to engineering, primarily the use of shock absorbers in the foundations so buildings can absorb stress. These modern techniques — strengthened after the heavy San Fernando Valley quake in 1971 — are the main reason why the city's financial district survived with only a few broken windows on Tuesday night, and why an earthquake the strength of last year's tremor in Armenia failed to have the same devastating impact.

The general relief effort in San Francisco has gone smoothly. The tone was set on Tuesday night when police peacefully evacuated more than 60,000 anxious fans at Candlestick Park, where the earthquake struck minutes before one of the games of the baseball World Series between the two local teams, the San Francisco Giants and the Oakland Athletics.

On Thursday afternoon, in the hard hit Marina district, almost 1,000 homeless residents gathered in a schoolyard waiting for news. The atmosphere was full of good humour, helped by orderly queues and a well organised grading of damage and of future access to homes. Just two blocks away from the rubble of several four-storey homes, couples played tennis.

And yet for all the resilience shown by residents, there is a lingering fear about the long term psychological damage. This is difficult to assess at this stage, not least because it often takes more than a week to manifest itself. In purely business terms, its effect is even more difficult to gauge.

Mr Ed Salzman, writing in the Los Angeles Times, warned against complacency. Tourism, which contributes more than $2.5bn a year to the restaurant-rich San Francisco economy, could be the first to suffer: except for voyeurs, tourists could stay away from California in droves, says Mr Salzman. A taxi driver from Texas agrees: "It's going to be a long, cold winter."

Another long term problem for business is the threat of more regulation in the form of stiffer building codes. This is not something some local businesses are likely to take kindly. The collapse of the Santa Cruz shopping mall, costing several hundred million dollars to rebuild, followed sustained resistance by local shop owners to improve the safety of their stores.

But the most intangible risk is the one in the back of every Californian's mind this weekend. They know, because the geologists, the media, and their friends have told them: Tuesday's earthquake was not "The Big One" for which the region has been nervously waiting.

Silicon Valley sighs with relief

"We were lucky," officials at Silicon Valley high technology companies said this week, as they mopped up water from burst pipes and picked up the contents of spilled filing cabinets.

While the world has viewed pictures of death and destruction in San Francisco, just 25 miles to the north, most of the computer and semiconductor companies in this centre of high-tech manufacturing have escaped serious damage.

The region's largest silicon chip makers: Intel, Advanced Micro Devices and National Semiconductor, all resumed operations this week. Other electronics companies with plants in the area such as IBM and Hewlett-Packard said that they planned to be back in business within a day or two.

There had been fears that a serious earthquake could cause ghastly problems in the Silicon Valley. Most of the region's industrial buildings are pre-fabricated concrete structures that are notoriously prone to collapse in earthquakes.

In the event, however, the buildings stood up to the violent shaking. Tanks containing highly toxic liquids and gases held firm, and the delicate equipment used in the semiconductor manufacturing process emerged unscathed.

Silicon Valley's escape was explained by earthquake experts as a mixture of luck and good judgment. Luck placed the main force of the quake to the north and south of the industrial complex. Efforts to brace buildings undertaken by several companies over the past few years also seem to have paid off.

But companies still face serious problems in the aftermath of Tuesday's quake. Yet to be assessed is how industry will be affected by the disruption to transport, power and water supplies.

The main freeway arteries through the area are jammed at the best of times. Now they will have to cope with the additional traffic diverted from earthquake-damaged highways to the south and east.

Thousands of Silicon Valley employees may be unable to reach their workplaces. Shipments of supplies into the area and finished products out of it will undoubtedly be delayed. Serious damage at San Francisco and Oakland airports is sure to exacerbate the problems.

In the immediate aftermath of the earthquake, however, Silicon Valley executives, like every other survivor, are just glad to be alive and relieved to see that their factories are still standing. It could have been so much worse.

Louise Kehoe

MAN IN THE NEWS

Hugh Jenkins

The new man at the Pru with £35bn to invest

By Tony Jackson

Among Britain's big investment institutions, the biggest of the lot is the Prudential. Whoever runs its £35bn portfolio is a candidate for the title of the most powerful figure in the City. This week the Pru, in a remarkable break with its conservative traditions, announced that the job has gone to an outsider.

Hugh Jenkins, a 55-year old Welshman, is used to being a power in the markets. Until five years ago he was in charge of another of the UK's investment giants, the Coal Board pension fund. At the time, the fund had a reputation for a social approach to investment — regional help, support for small companies and so forth. The Pru, too, puts unusual emphasis on its wider responsibilities.

But Jenkins, an urbane and self-contained man with only a trace of his native accent, prefers to see himself as a pure investment professional. "At the Coal Board, our criterion was very much to maximise returns, without any undue regard to the social obligations which the coal industry had inherited.

"Maybe that's putting too hard an edge on it. But if you spoke to either the board of trustees or the pensioners, they'd always be looking for the best return. None of my people would have regarded themselves as performing a social service for the beneficiaries. That way, they did in fact perform the service."

Arthur Scargill, then at the peak of his power at the miners' union, disagreed. The fund, he said, should not invest abroad, nor should it own shares in oil, which competed with coal. The case went to court, giving Jenkins the curious experience of being cross examined by Scargill in a High Court witness box.

Scargill lost and Jenkins left. "I was feeling in any event that it was time for a change. But that coincided with the departure of Joe Gormley and the arrival of Arthur. After ten years in the job, to walk away would have been an immense disservice: in the event, it took two years and three court cases to see it through."

Jenkins then made what seems to have been the one false step in his career. He moved to California to run the US side of the Heron group, owned by the forceful entrepreneur Gerald Ronson. He was back in less than two years.

"Gerald is one of my very good friends, and throughout the period I worked for him, he was no different." So why leave? "To this day I still love California. But it's 7,500 miles away from London. I used to see all these folk coming from London — all my pals — and I felt like a remittance man."

And so back to the world he knew this time with a mere £7.5bn to play with as head of investment with Allied Dunbar. The company is, of course part of BAT. One itches to know what Jenkins on the way to a job where he can make or break takeovers, thinks of Sir James Goldsmith's attempts to dismember the empire he has left.

Not surprisingly, he will not play ball. But he allows himself some cautious general comments on the junk bond movement. "I ran into Michael Milken for the first time when I was out in California. I remember thinking then what huge scope there would be for unlocking value in the UK if there were only the appetite for fixed interest paper. But UK investors are much more oriented to real assets — equities and property — than to financial assets like cash and fixed interest.

"Our liabilities, especially in the pension funds are open-ended. We've been through the fire with inflation, so our eyes are always fixed on those assets which will produce real returns to match our liabilities. In America, their liabilities are of the money purchase type. That's the crux. And so many of the institutions out there are looking for high-yield paper. That was to provide the platform for the corporate raider."

But would it be a bad thing in principle if the UK were to follow the same route? The question, he says, does not arise. "I don't think we'll ever see the development of a major industry over here based on high-yield securities. You have to start from the position that the marketable pool of high yield paper will be very small in the UK, so there aren't principles to be fought over."

In his move to the Pru he is taking over from another figure of legendary power in the City, Mick Newmarch. In another highly unusual step, the Pru has made Newmarch chief executive of the whole organisation, rather than choosing a traditional insurance man. "It's certainly interesting", Jenkins observes carefully, "that the investment function has come to the top."

But as a newcomer, will he not be treading on others' toes? "I've known the Pru, or most of the senior managers at any rate, for — I'm trying to work out how long it is: certainly since 1972. I think I've something to add in terms of value in all-round experience."

One final question comes irresistibly to mind when talking to the country's biggest investor. What does he think of the markets?

"You're bound to end up with volatile spells after a prolonged bull market. But there are many distinctions between now and 1987. To an extent the froth has been blown off, and we're now back to levels which are not out of kilter with some of the fundamentals — things like the yield ratio, for instance. And the institutions have considerable liquidity by comparison with the summer of 1987."

This does not make him a bull. "The fact that earnings will slow down next year will mean a quieter year. In property, again, we've seen some pretty exciting returns; it's now widely accepted that they're going to be much more muted next year."

What about overseas markets? "Japan is an area I now keep a very close eye on, as an opportunity rather than a threat. And Europe's an area which has some good defensive qualities, albeit in fairly thin markets. One obviously has a degree of caution about the UK and Wall Street.

"But overall, I think a lot of people have already done some of their re-adjustments — reducing their weighting in equities in the UK, and allowing the proportion in property to fall. Undoubtedly, cash and fixed interest is higher now. But at some stage or other that money is poised to go back to equities. By my very nature, I want to be in real assets — the things which provide us with protection. Cash is a short-term home."

Robert Rice looks at the lessons of this week's decision to free the Guildford Four

The law's confession of guilt

From any point of view it has been an extraordinary week in the history of British criminal justice. But has it been a good week or a bad week?

There are those who maintain, Lord Scarman, the former Law Lord, among them, that it has been a good week. By releasing the Guildford Four and overturning their convictions for the 1974 Guildford and Woolwich pub bombings, the criminal justice system has faced up to the fact that it can go badly wrong and shown it is capable of admitting its mistakes and correcting them.

On the other hand there are those who believe it has been a shameful week — a damning indictment of a system which could allow such a miscarriage of justice to happen in the first place and then fail to correct it for almost 15 years.

The most extraordinary feature of the case is not that police officers are capable of such behaviour; the recent disbanding of the West Midlands serious crimes squad has demonstrated to anyone who doubted it that they are. It is that the evidence of their misconduct has lain on the files at Guildford police station for anyone to see for 15 years.

It almost defies belief that during this time no one, until now, had thought it might be relevant to re-examine this evidence in the light of public fears expressed over a number of years by eminent people that there might have been a serious miscarriage of justice.

That the records remained on file all these years says something too about the criminal appeals system itself. That they were not shredded long ago suggests that Surrey police were confident that the restrictive nature of the appeals system meant they would never be re-examined. They were not, after all, re-examined before the first appeal of the Guildford Four in 1977, nor during the initial investigation carried out by Avon and Somerset police at the instigation of the Home Secretary in 1987.

The restrictive nature of the English criminal appeals system stems from the central role that its accusatorial system of justice gives to the jury. It dictates that an appeal court will not willingly overturn the verdict of jury on evidence which 12 people have had the chance to consider at length before reaching their decision. This in turn dictates that criminal appeals must be restricted to issues of new evidence.

Were Surrey police justifiably confident that the appeals system was not designed to discover the nature of their misconduct or was there a more simple explanation for leaving the tampered evidence on file?

Were they perhaps merely of the opinion that in altering the times and notes of interviews with the four suspects they had done nothing wrong and therefore had nothing to hide? Did they reason that someone planted the bombs and if these were the people who did it, what did it matter if the evidence was rearranged to make it more credible and ease the prosecution case?

Whatever the reason, the fact of police misconduct in this case raises serious questions about police procedures, lines of responsibility and the supervision of junior officers. The senior Surrey officers at the time must bear the brunt of the blame for allowing it to happen. But the Metropolitan police officers who also interrogated the four should not escape responsibility.

Many people connected with the criminal justice system now assert that changes in the prosecution system, and the procedures for arresting, detaining, interrogating and charging suspects, mean that this type of injustice could not happen again.

The most extraordinary feature of the case is that the evidence of police misconduct has been in the files of Guildford police station for anyone to see for 15 years

The fact that it has been uncovered now, shows the value of having an independent Crown Prosecution Service, they say, which separates the investigation of crimes from the prosecution process and allows for assessment of the strength of the evidence prepared by the police before deciding whether or not to proceed with a case. Under the old system, the police were responsible both for the investigation and prosecution of offences.

Others, Lord Hailsham, the former Lord Chancellor among them, say the new procedures for the police introduced in 1984 mean that confession evidence gathered in such a way would not be admissible in court today. "The trial would not have taken place under the Police and Criminal Evidence Act introduced in 1984", he said in an interview on BBC Radio 4 yesterday.

They point to the further safeguard against the tampering with such evidence provided by the tape recording of police interviews. It would be very difficult to frighten or beat a confession out of someone when the whole proceedings were being tape recorded, they argue. But tape recording does not prevent intimidation or beatings before the machine is switched on, nor the threat of a beating after it has been turned off if the police do not hear what they want to hear.

And tape recording of interviews does not take place in terrorist cases into which category the Guildford case undoubtedly falls.

Perhaps the time has come to extend tape recording, or better still, video recording, to all police interviews with suspects, terrorist suspects included. These issues will be considered by the judicial inquiry under Sir John May, the former Appeal Court judge. At the top of his agenda for change, however, must come the rules on confession evidence in England and Wales.

After the case of Timothy Evans, who was hanged and then pardoned, the Confait case, in which three boys spent six years in prison for murder on the basis of confessions which medical evidence later established could not have been true, the case of the Guildford Four underlines once more that it is unsafe to convict someone on the basis purely of their own confession. The law should be changed to require some form of corroborative evidence, whether identification, forensic or circumstantial, before conviction on the basis of a confession.

Should there be a new appeals procedure? Would it be enough simply to widen the ambit of the present procedure, to provide that if new evidence, or a re-assessment of old evidence, suggests a mistake may have been made, the whole case should be re-examined from the beginning?

Or do we need an independent, lay-dominated, tribunal to examine possible miscarriages of justice with the power to recommend to the Home Secretary — or even force him — to reopen cases, refer them back to the *Court of Appeal*, quash convictions or issue pardons?

What teeth would such a tribunal need to be effective? Would it, for example, have the sort of power which would have enabled it to inspect the Surrey police records? Who will finance its investigations and carry them out?

Finally, if the Guildford case has achieved anything, it should, once and for all have settled the capital punishment debate.

On balance, it is hard to say that it has been a good week for British criminal justice.

One year after the official report on Barlow Clowes, **Richard Waters** reports on investors' losses

So far, no recompense

As many as 500 elderly investors in Barlow Clowes have died in the 16 months since the fund management group collapsed — and the list of deaths rises daily. A year after the publication of the first report into how the collapse occured, compensation for the 18,000 investors is still no closer.

Each week brings notification of between five and ten deaths of investors in both the UK and offshore funds, according to Mr Nigel Hamilton, one of the joint liquidators. Many more are likely to die without seeing any of their money returned.

As a high-yielding gilts fund, Barlow Clowes looked an ideal investment for people approaching retirement, giving them security for their capital and a high income. As a result, many of the investors are elderly, and many relied on their income from Barlow Clowes to support themselves.

The group collapsed after serious deficiencies in investors' funds, now assessed at £70m-75m, were uncovered. Mr Peter Clowes and three of his associates were subsequently charged with the theft of amounts totalling £22.7m.

The stress under which many of the elderly investors have lived over the past months has been intense. But the Barlow Clowes affair has gradually been shunted out of the headlines, ever since the moment a year ago yesterday when the Department of Trade and Industry's internal enquiry of its handling of the matter, conducted by Sir Godfrey Le Quesne, was published.

Meanwhile, as time drags on, much of the money recovered at the time of the collapse early last summer has still not been paid out. By the middle of next month £25m due investors in Barlow Clowes International, the off-shore fund, was to have been paid out. Notice this week of a possible appeal against the way the money was to be shared between investors has delayed that still further.

Mr Hamilton, who was due to pay the £25m, says: "It's all very frustrating. The money's there and we were ready to roll, the cheques were signed, but now we have to wait again." Mr David Graham, a lawyer with joint liquidators at Cork Gully, echoes this frustration. "There are 18,000 investors who still don't even have any idea how it happened," he says.

The hopes of investors are now pinned on a report expected to be published before the end of the year: that of the Parliamentary Ombudsman, who has the power to recommend that the Department of Trade and Industry pay compensation if he finds it guilty of maladministration.

According to Mr Antony Gold, a partner at Alexander Tatham, the solicitor representing investors: "Undoubtedly, the most important aspect from the point of view of investors is what the Ombudsman says. If he does not order compensation, the hope for BCI investors evaporates."

Legal action to recover money from intermediaries who recommended investment in Barlow Clowes would simply be "clutching at straws", he says.

The Ombudsman's report is likely to go into considerably more detail than that of Sir Godfrey. That report was based on the DTI's own records, and appears to have been completed without seeking evidence or views from people outside the department.

After the publication of the Le Quesne report, Lord Young, then Trade and Industry minister, said that his department had been exonerated. Representatives of the investors took the opposite view, claiming that it revealed clear maladministration at the DTI.

Even if the Ombudsman finds the DTI guilty of maladministration, it does not follow that compensation will be paid. He will have to establish a causal connection between the maladministration and the fact that the investors lost money. What may sound a simple task will not be easy, given the large number of investors, the different times at which they invested and the fact that there were both UK and offshore funds in the group.

The focal point of the Ombudsman's report is likely to be the same as that in the Le Quesne report: what happened in the DTI early in 1985, when serious doubts had emerged at the DTI but officials were undecided about what to do next.

At the beginning of March of that year, the DTI's solicitors' office issued a stern warning. There was a "serious danger that if the matter is allowed to drag on, the Department will be held to be negligent if it turns out something is wrong, particularly in relation to house business taken on since we became aware of the possible difficulties", it said.

Despite this, it was more than two and a half years before the DTI appointed inspectors to investigate Barlow Clowes' parent, James Ferguson, and over three years before the business was closed down. Faced with a difficult decision, the Department decided to put its faith in the judgment of Barlow Clowes' advisers — established City firms of lawyers and accountants. That proved to be a mistake.

If, as the DTI solicitor warned, the Department is held to be guilty of maladministration from the time that it became aware of "the possible difficulties", then compensation could be limited to later investors in Barlow Clowes. The Ombudsman would then face the difficult task of deciding the cut-off date to be applied — any time from October 1983, when the DTI first had prima facie evidence that Barlow Clowes' operations contravened the Prevention of Fraud (Investments) Act, to early 1985 when the DTI solicitor wrote, or some point over the next three years, during which the Department failed to close down the investment group.

Barlow Clowes investors, already accustomed to being buffeted by the vagaries of chance, will no doubt await such deliberations with a resignation born out of their sufferings so far.

Peter Clowes after his release on bail

Ashley Ashwood

LETTERS

Mortgage interest tax relief withering away in a fair manner

From Mr Malcolm Crawford.

Sir, As with some other economic policy problems, mortgage interest relief attracts both radical revisionists and gradualists. Stephen Merrett restated the radical revisionists' case in "Time to remove the home-owners' subsidy" (FT, October 12), arguing that tax relief should be phased out during the next down-swing in interest rates. That would probably imply its abolition before the next general election.

The gradualist case is that the tax relief is already withering away in a reasonably equitable manner, and that in our untidy world where second-best is often best, that may be as much as we can expect.

Merrett rests his case on the statement that tax relief is the dominant form by which the government subsidises the home-owner. Strictly speaking, this is not so: that distinction should go to the absence of income tax on the benefit-in-kind from housing occupancy (imputed rent, abolished in 1963) or that arising from the underlying land.

Nearly all interest on borrowings to finance fixed assets are tax-deductible in the hands of taxable persons, so there is nothing anomalous in owner-occupancy sharing in this. Normally, however, the interest is incurred (and is tax-deductible) because the asset is used to extract a taxable gain or income. As things stand, landlords enjoy tax-deductibility of interest but pay tax on the income received from tenants (who pay cash for their housing), while owner-occupants pay neither. The anomaly in Britain's treatment of housing is not deductibility of interest but no taxation of the benefit-in-kind from housing or land.

However, the restoration of taxation of imputed rent is considered out of the question on the grounds of fiscal inequity, because for some home-owners it would not relate to their ability to pay. Some people receiving substantial imputed rent have little cash income. So the next-best target is deductibility of interest.

Land-value taxation would offer far more allocative efficiency than removal of interest-deductibility, and perhaps greater equity than taxation of imputed rent (from which it is unlikely to differ much in its distributional impact). Indeed, if land values were fully taxed, it would be anomalous not to restore full interest-deductibility.

Tax-deductibility of interest is limited by the £30,000 limit on an eligible mortgage, and is being eroded gradually by the decline of that limit in relation to house prices. This has proceeded most rapidly in the south-east, where ability to pay tends to be greatest. Thanks to the £30,000 limit, the redistributive effects of interest-deductibility benefit the regions where property values are lowest, and the individuals whose mortgages exceed £30,000 by the smallest amounts.

Rapid withdrawal of interest relief would lead to sharp losses in homeowners' wealth, except to the extent that interest rates fell enough to leave mortgagors' debt service/income ratios unchanged. Such losses would be greatest in areas where tax relief is greatest as a proportion of incomes — and those are most likely to be areas where incomes are relatively low.

Malcolm Crawford,
30 Granard Road, SW12

Pater pays

From Mr Richard Capstick.

Sir, I am the fee-paying father of one son going through private education, and of another who will soon be expecting the same treatment. Does Michael Prowse imagine that people such as myself gleefully volunteer to part company with thousands of pounds a year in fees?

I would have been delighted if my son could have continued his education at the local comprehensive after several years in a state primary school.

Unfortunately, standards in state schools are so low that no one with any regard for their child's future, and the means to take evading action, would dream of putting a child through the system.

I suggest it is not so much a matter of snobbery that has created a thriving independent sector, but more a case of parents doing what they have done since time began — making sure their offspring are best able to survive in the society in which they find themselves.

The process is bound to be self-selective, but the only solution is for the state schools to reach the standard of the independents. That day will come only when the British people insist on the provision of high-standard education instead of regarding schools as some sort of second rate child-minding service.

Richard Capstick,
Capstick Printers,
117 Ellingham Industrial Estate,
Ashford, Kent

Uses for muck

From Mr Francis E. Miller.

Sir, Bridget Bloom's article "How green is my carrot?" (October 14) shows that we need meat-eaters to keep fruit and vegetables "green." Soil fertility is essential to organic farming. Manures, some produced by cattle, build that fertility. Organic farming is, thus, largely dependent on cattle, some of which are slaughtered for veal, others bred for beef. In the environmental struggle, it must be difficult, especially for vegans, to choose between inorganic chemicals and the natural by-products of animals used in food production.

Francis E. Miller,
Candida,
Harlequin Lane,
Crowborough, Sussex

Cartographers' shorthand and the wide open spaces of Africa

From Mr Rex Winsbury.

Sir, Nicholas Woodsworth's article "Zambia realises its future lies in the ground" (FT, October 18) expands the abbreviation MMBZ to read "Miles and Miles of Boring Zambia." In Kenya, where I lived until last month, the initials were MMBA, standing for "Miles and Miles of Bloody Africa."

Old settlers told me that, in the days before the British colonial administration had finished mapping the country, the mapmakers used to scrawl MMBA across the vacant bits of the map. These days, MMBA is commonly used as a curse when on sweaty safaris across the huge and, unfortunately, these days often dangerous semi-deserts of northern and eastern Kenya.

The old British maps are still the best, if you can get them. The Kenya government has stopped issuing detailed maps for alleged security reasons. If it resumed publication of good maps, tragedies like Julie Ward's and the other disturbing tourist fatalities in Kenya in recent months might be more easily avoided.

Rex Winsbury,
The X25 Partnership,
69 Charlotte Street, W1

Antarctic park

From Mr Jagdish Patel.

Sir, You say in your leader "A regime for Antarctica" (October 16) that Greenpeace proposes that an Antarctic world park be policed by an international organisation "beyond the confines of the treaty parties." Our concern is for the protection of Antarctica's wildlife and wilderness. Human activities there should be regulated by an organisation able to enforce the provisions of an environmental convention. Greenpeace does not take a position on what organisation that should be.

We do not exclude the possibility that such an organisation could be set up within the Antarctic Treaty system. We applaud the parties to the Antarctic Treaty for acknowledging that Antarctica needs environmental protection. The Australian and French initiative to create an international wilderness reserve should be fully supported.

A world park is the only feasible option if political bickering over territorial claims is to be avoided. Forgoing claims in favour of a regulatory body under the Antarctic treaty would be an appropriate solution. Treaty parties, non-signatory countries and non-governmental organisations should be granted full rights of participation in such a body. This would remove the secrecy and mistrust in the current practice of holding meetings behind closed doors.

Jagdish Patel,
Greenpeace,
30-31 Islington Green, N1

A rollover system for capital gains on investments

From Mr J.E.V. Rice.

Sir, At the moment, the Treasury is attempting to control consumer spending by using interest rates to discourage borrowing from banks. It is doing little to encourage savings and investment, which also bring down spending. A rollover system under which capital gains on assets sold and re-invested within a year would not be taxed would provide the needed incentive. Capital gains tax would be better levied on the spent proceeds from sold stock, or on assets removed from the individual's or corporation's declared capital base.

Such a system would eradicate the worst effects of taxing capital as if it were income — something which leads to the spending of capital as if it were income. It would also benefit the economy in the following ways:

● Revenue from stamp duty would rise on a substantial extra turnover in the capital market as previously "locked-in" stocks were sold and re-invested.

● The same turnover would raise the profits of the investment industry, increasing the revenue to the Treasury from corporation tax.

● More investors would take an interest in Beta and Gamma stocks, again making a viable market in them.

● Capital investment in industry would swell.

● Movement in large blocks of family shares would encourage mergers, amalgamations and other efficient reorganisations of companies.

● Accountants, portfolio managers and the Inland Revenue would be freed from time-consuming indexation calculations to do more productive work.

● The cost of collecting capital gains tax would fall.

● Interest rates could come down co-incident with a contraction in consumer spending.

The encouragement given to spending by taxing capital as if it were income has done more to hurt our economy than any other single factor. The first political party to adopt the capital gains tax rollover system would reap enormous goodwill from satisfied voters.

J.E.V. Rice,
Exhurst Manor,
Staplehurst, Kent

SFO to investigate Ferranti fraud

By Terry Dodsworth

THE £185m suspected fraud at Ferranti ISC, one of the largest losses of its kind ever suffered by a UK company, is to be investigated by the Serious Fraud Office.

The SFO, which brings together special investigative teams made up of accountants and legal experts as well as Scotland Yard police officers, said yesterday that it had decided to act after looking at an accountant's report on the alleged fraud.

In a short statement, the SFO made it clear that it would be concentrating its inquiry on Ferranti's US-based International Signal & Control subsidiary, acquired by the UK company in 1987.

It would be looking into allegations of fraud before, during and after the purchase of ISC, it said.

Ferranti, which welcomed the investigation last night, has told its shareholders that it believes the alleged fraud occurred in only one ISC subsidiary, which was involved in international arms dealing.

It has pointed in particular to three suspect contracts, which were supposed to have been with clients in Pakistan, China and Nigeria, as the source of the fraud.

In a recent disclosure, the company estimated its potential gross loss on the deals at £215m although it said this figure should come down to £185m after tax.

It also said that there might be some recovery later, particularly after legal action.

The company added that these views had been corroborated by a report from the accountants, Coopers & Lybrand.

This, it said, "confirmed that nothing had come to their attention which would lead them to suspect fraud on any contract other than those identified in September".

The Coopers & Lybrand report, sent to the SFO about two weeks ago, has formed the basis for the Office's decision to take up the investigation.

The SFO said last night: "We cannot say how long the investigations will take but we are proceeding with all possible speed on both sides of the Atlantic."

It is expected that the SFO investigation will range widely over ISC's affairs because of the nature of the suspected fraud.

Trevor Humphries

Derek Alun-Jones: Welcomed the investigation and has told holders the alleged fraud occurred in only one ISC subsidiary

New AFI directors but rebels ignored

By Andrew Hill

Mr JOHN SCHOLES, beleaguered chairman of Amalgamated Financial Investments, has appointed two new directors to the depleted board of the investment company, after meeting three dissident shareholders and deciding not to invite them on to the board.

"I'm a great believer in compromising if you can," said Mr Scholes yesterday. "The suggestion which emerged was that maybe the board could appoint them [the dissidents] right now and we could all settle down, but I'm afraid I took the view that what I would be settling down to would be a lot of squabbling."

The three shareholders – Mr Richard Wollenberg, Mr Rupert Pearce Gould and Mr Colin Weinberg – announced in September that they would renew their efforts to join the board at a special meeting after the company's agm next month.

Mr Scholes declared their original motions of election to the board invalid at a stormy shareholder meeting in August.

The two new directors appointed are Mr Robin Andrews and Mr Alexander Devine. Mr Scholes said Mr Andrews was a former stockbroker with De Zoete and then James Capel. Recently he has been specialising in raising money for smaller companies and has "a lot of contacts in the minerals world". Mr Devine, appointed yesterday, used to work in Africa and Canada for Mitchell Cotts, the freight forwarding group eventually bought out by Suter.

One of the dissenting shareholders, Mr Richard Wollenberg, said yesterday that institutional investors in AFI had asked the trio to start discussions with Mr Scholes.

"I believe that we have far greater experience and a far greater chance of achieving good profits and sorting out the current problems," he said.

AFI has been run by a two-man board – Mr Scholes and Mr Ellsworth Donnell – since the August egm. That meeting was called to oust Mr Frank Welsh, a former chairman of the group, who in fact *resigned before the start of the* meeting, and install the dissenting investors in his stead.

Mr Scholes, who owns 14.7 per cent of the company, came under fierce attack after the egm, which he closed after only eight minutes.

Burmah shares rise 27p after SHV increases stake to 7.5%

By Steven Butler

SHARES OF Burmah Oil, the lubricants group, moved sharply higher yesterday following an announcement that SHV, the private Dutch industrial group, had lifted its stake in the company from 6.7 per cent to 7.5 per cent.

Burmah simultaneously issued a denial that any deal was in the works but appeared increasingly concerned about the possible intentions of the Dutch group.

"Burmah emphasises that no discussions are taking place with SHV and that no deal of any nature is in contemplation," a statement said.

Burmah said the statement was issued in order to quash rumours in the market that Burmah and SHV were working on a deal involving Calor Gas, the bottled gas company, and Premier Consolidated Oilfields, the independent oil company.

Burmah and SHV had proposed a joint bid for Calor in 1987, although the bid did not proceed because the Calor board did not endorse it. SHV subsequently acquired a 44 per cent stake in Calor.

It came to light in August that SHV held a 4.9 per cent stake in Burmah, prompting speculation that SHV would wish to trade its stake in SHV for a controlling interest in Burmah.

Burmah holds a 29.9 per cent stake in Premier, and many analysts believe Burmah may not be committed to a long-term holding of the shares. SHV is also understood to own 3 to 4 per cent of Premier, and has expressed interest in expanding its oil exploration and production portfolio.

Although few analysts expect a hostile bid against Burmah by SHV, many now believe that SHV may wish to establish a controlling interest in the company. The shares which contributed to the increased holding announced yesterday were purchased one week ago, and there is speculation that SHV may have purchased more shares this week.

Shares of Burmah, Calor, and Premier all rose yesterday. Burmah closed up 27p at 669p; Calor up 20p at 450p; and Premier up 8p at 108p.

Meggitt extends bid for USH

By Jane Fuller

MEGGITT, the specialist engineering group, yesterday extended its hostile bid for United Scientific Holdings to October 31 after raising its interest in the defence contractor to 15.4 per cent. Meggitt owns 3 per cent and has received acceptances for 12.4 per cent.

Both companies' shares have *fallen sharply* since shortly after the bid was launched on September 11, when Meggitt's all-share offer was worth a total of £118.5m.

With Meggitt's shares falling 1p to 94p yesterday, the partial cash alternative values each USH share at 146p, against a market price up 1p at 139p. At 122p, the all-paper terms still lag behind the target's market price.

In total, the offers are worth £111m and £98m respectively.

Mr Ken Coates, Meggitt's managing director, said he was pleased with the further 5.2 per cent in acceptances accumulated between October 12 and 19, "considering the state of the market in a week when most institutions were focusing on other things."

USH dismissed the increase in the level of acceptances by ordinary shareholders as small and that in the level of preference shares as negligible. Acceptances on the latter stood at 6.5 per cent on October 19.

Mr John Robertshaw, USH's chairman, said: "In spite of the volatile market conditions earlier this week, we are pleased that the holders of the great majority of United Scientific Holdings shares continue to reject Meggitt's unsatisfactory offers."

Pembridge backer moves its holding

ONE OF THE French shareholders in Mr Roland Franklin's Pembridge Investments, the hostile bidder for DRG, the paper and packaging group, is passing on its shares to another of the investors, writes Clare Pearson.

CICLAD Investissements said yesterday it was in the process of passing on its shareholding, worth £500,000, in Pembridge, a Bermuda vehicle set up to launch the £697m cash bid.

M Jean Francois Vaury, a director of CICLAD said yesterday it had decided to sell because it had received an offer from another shareholder.

Mr Franklin said he believed CICLAD was passing the shares to IDI, the French venture capital group which is one of its biggest shareholders. He thought this was "merely for internal administrative reasons."

CICLAD provided only a small part of Pembridge's share capital, totalling £130m.

TI pays £13m for US company

By Andrew Hill

TI GROUP, the specialist engineering company, is to buy a private US manufacturer of rigid tubular assemblies for about £13m cash, including the assumption of debt.

The company is Lewis and Saunders, which makes tubular assemblies from titanium and alloy steels. The tubes are used to carry fluids in high performance structures such as aircraft jet engines and turbines.

In the year to September 1988, Lewis and Saunders, which is based in New Hampshire and employs 275 people, returned sales of about £10m.

TI said the acquisition would fit in with its own Titeflex flexible tubing business in North America. It announced at the beginning of the year that it had decided to retain Titeflex's plastic tubing operation, although it has been selling off its other performance plastics interests.

The group said yesterday that Lewis and Saunders and Titeflex would develop new hybrid rigid and flexible products. It added that the combined businesses would be developed internationally.

German tyre maker lifts its holding in Kwik-Fit

By Clare Pearson

CONTINENTAL, the West German tyre manufacturer, has been buying more shares in Kwik-Fit Holdings, lifting its stake from 10 to 13.13 per cent.

Continental acquired its original stake in September. Directors of Kwik-Fit, which is the UK's biggest remaining independent tyre distributor, could not be reached for comment yesterday.

Yesterday's announcement followed speculation that Continental was buying again. Kwik-Fit's shares shed only 2.1 per cent of their value to close at 135p in Monday's falling stock market. Yesterday the shares closed at 141p, up 1p on the day.

The share buying has been seen as an attempt to gain marketing leverage in the UK tyre market rather than as a takeover move. Mr Tom Farmer, Kwik-Fit's chairman, has said that he does not regard the company as for sale.

Kwik-Fit announced a fall in interim pre-tax profits to £9.62m (£9.83m) a month ago.

Euro Disneyland offer is fully subscribed

By Clare Pearson

The £67m offer for sale for Euro Disneyland has been fully subscribed, S.G. Warburg Securities, lead manager for the non-French portion of the £600m European equity issue, announced yesterday.

Warburg said the basis of allocation in the UK offer, which it is understood has been more than fully taken up, will be announced today.

Because of domestic regulations, the UK part of the share sale was kept open after its closure last week in other European centres in the face of extremely strong demand.

The offer is of shares in the operating company for the *theme park being constructed* by Walt Disney outside Paris

Allocations are likely to be weighted in favour of applicants for smaller quantities of shares.

Casket drops final as losses emerge

By Peter Pearse

CASKET, the Manchester-based clothing maker and distributor, showed losses of £1.17m in the second half of 1988/89 cutting the pre-tax profit from £3.44m to £529,000 for the year ended June 30.

Mr Vy Menon, chief executive, said that the main problems were the absence of cold winter weather and high interest rates. There is no final dividend so the interim paid of 1.2p compares with last years total of 3p. The shares shed 2p to 50p.

Although problems at Kingsley & Forester Group, the toys, hardware and clothing company *bought in late 1987*, depressed Casket's pre-tax profits in the year to June 30 by some £1m, Mr Menon stressed that the "poor performance" this time owed little to the ill-starred Kingsley acquisition.

Casket is currently seeking £12m in damages – one of the largest of such claims in British legal history – against five former directors of Kingsley.

Mr Menon, however, did say that both the housewares and the toys wholesaling divisions had been closed, contributing to an extraordinary charge of £507,000 (£383,000), but maintained that Kingsley's leisurewear division and Townsend Cycles, its bicycle manufacturing arm, had prospered.

Mr Menon attributed Casket's downturn to the "lack of winter" and the rise in base rates. He said that Casket Ltd, which makes padded and quilted products, had been "the biggest problem" and that the clearance by retailers, below cost, of unsold Casket stocks had eaten into profits.

Lord Barnett, chairman: Hoping for a cold *snap?*

Where usually one might expect up to eight months of autumn and winter, the mild winter and spring and the fine summer had hit Casket hard, he said. Turnover edged ahead to £95.56m (£95.27m). Earnings fell to 0.7p (6.8p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Casket	fin	nil	-	1.8	1.2	3
CPFC Trust	fin	0.8	Jan 8	1.1‡	0.8	1.1‡
Eastern Produce	int	2.5	-	2.5	-	11
English Intl Tst	int	0.8	Dec 15	0.75*	-	2.7*
SPS Consult §	fin	nil	-	1.5	nil	2.25

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡Included 0.4p special.

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
120	F.P.	3/11	135	117	Bryce Group 10p	122	-1	L4.25	2.5	4.6	9.4
[illegible]	F.P.	-	126	100	[illegible]	122	[illegible]	[illegible]	1.7	3.4	11.9
[illegible]	F.P.	-	82	65	[illegible]	74	[illegible]	[illegible]	1.6	6.0	11.0
[illegible]	F.P.	2/11	71	56	[illegible]	[illegible]	[illegible]	[illegible]	0.5	[illegible]	18.0
[illegible]	F.P.	-	119	98	[illegible]	100	[illegible]	[illegible]	1.9	6.0	8.1
[illegible]	F.P.	21/11	81	66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	-	98	83	[illegible]	[illegible]	[illegible]	L1.13	4.7	2.3	12.3
[illegible]	F.P.	3/11	240	215	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	-	865	700	[illegible]	700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	-	55	45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	66.1
[illegible]	F.P.	8/11	95	85	[illegible]	[illegible]	[illegible]	L1.88	2.3	5.6	10.2
[illegible]	F.P.	20/10	93	85	[illegible]	[illegible]	[illegible]	[illegible]	3.2	1.5	13.4
[illegible]	F.P.	-	48	38	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	105	91	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	61	51	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	23	19	[illegible]	[illegible]	[illegible]	-	-	-	41.5
[illegible]	F.P.	-	674	606	[illegible]	[illegible]	[illegible]	-	-	-	50.7
[illegible]	F.P.	-	148	133	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	90	85	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	23	16	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	25	18	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	143	115	[illegible]	120	[illegible]	[illegible]	2.5	3.7	11.5
[illegible]	F.P.	2/11	103	100	[illegible]	101	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	-	25	20	[illegible]	[illegible]	[illegible]	-	-	-	-
[illegible]	F.P.	-	792	745	[illegible]	778	[illegible]	[illegible]	4.7	0.4	57.9
[illegible]	F.P.	-	94	68	[illegible]	[illegible]	[illegible]	[illegible]	2.2	6.3	8.5
[illegible]	F.P.	-	121	112	[illegible]	112	[illegible]	[illegible]	1.6	6.0	12.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+or-
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	+1
[illegible]	F.P.	20/10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	17/11	[illegible]	[illegible]	[illegible]	[illegible]	+¼
[illegible]	F.P.	19/1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	29/7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	20/10	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	F.P.	21/8	[illegible]	[illegible]	[illegible]	[illegible]	+1
[illegible]	F.P.	-	[illegible]	[illegible]	[illegible]	[illegible]	-2
[illegible]	F.P.	25/7	[illegible]	[illegible]	[illegible]	[illegible]	-1

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+or-
195	Nil	22/11	[illegible]	[illegible]	Coopers (F.)	[illegible]	[illegible]
75	Nil	10/11	[illegible]	[illegible]	♦DSC Hldgs	[illegible]	+1½
125	Nil	23/10	[illegible]	[illegible]	[illegible]	[illegible]	+2
160	Nil	13/11	[illegible]	[illegible]	[illegible]	[illegible]	-1
160	Nil	22/11	[illegible]	[illegible]	[illegible]	[illegible]	-1
150	Nil	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

First Dealings	Oct 9
Last Dealings	Oct 20
Last Declarations	Jan 11
For settlement	Jan 22

For rate indications see end of London Share Service

Calls in Aaronson, Asda, Astra Hldgs, Kwik-Fit, Barnett & Fountain, Tusker, THF, Vickers.

NEWS DIGEST

GrandMet in I£46m venture

By Lisa Wood

EXPRESS DAIRIES, a subsidiary of Grand Metropolitan, has made a joint I£46.3m (£41.97m) bid with Waterford Co-operative Society for Premier Tir Laighean Society, the Irish milk processor.

The bid, which has received the approval of PTL's board, also includes a five-year option to purchase up to 945,320 of GrandMet's ordinary shares at I£6.60 each.

*GrandMet said that in seek*ing the 50 per cent stake it was looking to secure the cream for its Bailey's Original Irish Cream liqueur at a time of milk quotas and restructuring in the European dairy industry.

PTL, the dominant milk supplier in the Dublin area, has been supplying cream for Bailey's for some time.

Burns-Anderson in £1.6m acquisition

The recruitment business of Burns-Anderson Group now operates from 50 offices and 12 training centres in the UK and three offices in North America.

This follows the acquisition for £1.6m cash of Capital Staff Services, a general employment agency with offices in Edinburgh, Glasgow and Belfast, and the opening of employment agencies in Northampton and Cambridge.

Capital Staff made a pre-tax profit of £309,000 on turnover of £1.52m in the year ended April 5 1989. Net assets were some £13,000.

Leading Leisure disposes of assets

Leading Leisure has made several assets disposals to reduce borrowings and enable it to concentrate on leisure and property activities.

Six public houses and discotheques are being sold to Midsummer Leisure for £5.2m, and the egg farming subsidiary has been disposed of to a joint venture, in which Leading Leisure retains an interest.

Two other discotheques in Birmingham and Southend will be disposed of at a later date.

The disposals, as well as the sale of property holdings, will result in a "significant reduction in gearing over the next three months", the directors said.

Hot air stifles decisions at rocky Rock meeting

By John Ridding

SHAREHOLDERS in Rock, a small London-based component distribution group, yesterday endured a packed and sweltering extraordinary meeting but failed to resolve the battle for control of their company which has become increasingly enmeshed in legal arguments and technicalities.

The audience of about 100, more than 10 times larger than the number at Rock's last annual meeting, had been called to vote on proposals which could have given control of the company to a group of dissident investors.

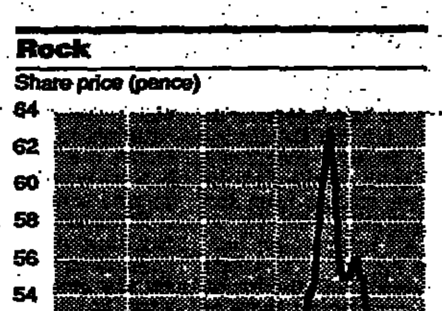
But having assembled, shareholders were informed by Mr Oswald Dockery, *chairman, that motions calling for the* appointment of the four dissident shareholders to the board were invalid under the company's articles of association. Although a poll is being held on the proposals, he said that any result would be merely "symbolic".

The other proposal, that Mr Robert Justice be removed as a non-executive *director, also went to a poll. But Rock* said the results of the various votes would not be known for up to a week because of the number of letters it had received revoking previous proxies.

Mr Joseph Stephens, a director of WH Ireland Stephens & Co, a Manchester-based stockbroker and leader of the dissidents, described the move as "a *legal ploy which demonstrates the lack* of democratic management in the company". He rejected the claim that the nominees were in breach of the company's articles.

He said he would wait to see the result of the polls before considering his next step *but that it was probable* he would call another extraordinary *meeting. "This is not the end of the* fight," he stressed, "Certainly not."

A number of shareholders seemed similarly dissatisfied with the meeting. One asked why they had not been previously informed that the board considered the proposals invalid and described the meeting as "a waste of time". Another accused Rock of being *"most incompetent" in dealing with the* matter.



Such sentiment was not universal. One shareholder congratulated the board on the conduct of the meeting and drew a degree of support from his overheated colleagues.

But the over-riding impression was one of confusion, a picture which was almost completed by a call for the lights to be turned off so as to cool the room.

Certainly little light was thrown on the board's rejection of the nominees and on the latters' plans to transform the company's trading record of which *they have been so critical.*

On the first count, Mr Dockery said *that he was "constrained by threatened* legal action".

This concerns a circular he *had sent* to shareholders which criticised Mr Stephens and Mr Paul Thompson, another of the nominees. On the second, Mr Stephens seemed reluctant to respond to questions from colleague investors.

He *did, however,* state that there was "nothing personal" in the proposal to unseat Mr Justice, a *solicitor.*

For his part, Mr Justice said: "I find myself in a very unusual *position. I* have only held this position since June 1989 and have not had time to exercise my role." On a show of hands only eight votes supported his dismissal.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: International AIDS conference opens in San Marino (until October 24). General strike in Israeli-occupied territories. Yugoslavia's ruling communist party's central committee meets in Belgrade to set date and agenda for an emergency congress to deal with economic and political crisis (until October 22).

TOMORROW: Liberal Party assembly opens in Buxton. Mr Dick Cheney, US Defence Secretary, begins tour of Europe with visit to France.

MONDAY: European Community agriculture council meets in Luxembourg (until October 24). Start of meeting of West African economic community leaders in Cotonou (until October 24). Severn tidal barrage development study published. Engineering unions make statement on results of strike ballots. Lucas Industries preliminary figures.

TUESDAY: Building Societies Association publishes monthly figures for September. Central Statistical Office gives balance of payments current account and overseas trade figures for September and cyclical indicators for the UK economy in September. Confederation of British Industry industrial trends survey (October). US durable goods (September), commerce. Mr Norman Fowler, Employment Secretary, at National Economic Development Office briefing on "demographic time bomb". Anti-drugs meeting in Madrid; US, Italy, Spain, Columbia, Peru and Bolivia will attend (until October 25). Mr Ladislav Adamec, Prime Minister of Czechoslovakia, begins two-day visit to Vienna. NATO nuclear planning group meets in Vilamoura, Portugal (until October 25).

WEDNESDAY: Welsh Office issues index of production and construction for Wales (second quarter-provisional). The Department of the Environment publishes statistics for construction orders (August-provisional) and bricks and cement production and deliveries (third quarter-provisional). Mr Mikhail Gorbachev, Soviet leader, on visit to Finland (until October 27). COCOM meets in Paris. TUC general council and Labour Party national executive hold meetings.

THURSDAY: Quarterly house purchase finance statistics (September). New vehicle registrations (September). Energy trends (August). US gross national product (third quarter preliminary). Plaid Cymru annual conference in Denbigh (until October 29). Mr Lech Walesa, Solidarity leader, starts three-day visit to Santiago. Philips Lamps Holdings interim results.

FRIDAY: US personal income (September). Mr George Bush, President of the US, and other leaders attend two-day summit in San Jose, California. Ministerial meeting in Luxembourg between the European Community and African, Caribbean and Pacific developing countries to negotiate new trade and aid convention (until October 29)

EUROPEAN OPTIONS EXCHANGE

Series		Nov 89 Vol	Nov 89 Last	Dec. 89 Vol	Dec. 89 Last	Jan. 90 Vol	Jan. 90 Last	Stock
EOE Index C	Fl 300	651	8	102	9.50	19	13.90	Fl. 299.63
EOE Index C	Fl 310	1079	3.50	69	5.60	44	8.50	Fl. 299.63
EOE Index C	Fl 315	112	2.20	633	4.80	-	-	Fl 299.63
EOE Index P	Fl 285	129	2.80	2	4.50	7	6	Fl 299.63
EOE Index P	Fl 290	86	4.10	14	7.50	234	7.50	Fl 299.63
EOE Index P	Fl 295	270	5.50	11	8 b			Fl 299.63
EOE Index P	Fl 300	518	7.50	39	9.50	156	9.60	Fl. 299.63
EOE Index P	Fl 305	382	9.90	-	-	114	12.50	Fl. 299.63
EOE Index P	Fl 310	177	12.50	75	15	119	15	Fl. 299.63
EOE Index P	Fl 315	136	16	12	16	14	17	Fl. 299.63
EOE Index P	Fl. 320	21	18.50	119	19.50	30	21 b	Fl. 299.63
EOE Index P	Fl 325	220	25	-	-	-	-	Fl. 299.63

		Oct. 89 Vol	Oct. 89 Last	Nov 89 Vol	Nov 89 Last	Dec. 89 Vol	Dec. 89 Last	Stock
S/FI C	Fl. 205	130	4.70 a	184	5.90	-	-	Fl 209.15
S/FI C	Fl 210	154	0.05	52	3	51	3.80	Fl 209.15
S/FI C	Fl 215	-	-	43	1.30	119	2.30	Fl 209.15
S/FI P	Fl 205	58	0.05	49	1.60	111	2.50	Fl 209.15
S/FI P	Fl 210	209	0.40	187	3.10	13	4.50	Fl 209.15
S/FI P	Fl 215	162	5.80	-	-	75	7.50	Fl. 209.15

		Oct. 89 Vol	Oct. 89 Last	Jan. 90 Vol	Jan. 90 Last	Apr 90 Vol	Apr 90 Last	Stock
ABN C	Fl. 40	2073	0.70	200	3.10	43	4.10 a	Fl. 40.90
ABN P	Fl. 45	350	4	202	4.20	32	4.10	Fl. 40.90
Aegon C	Fl 110	229	0.10	299	4.80	6	8	Fl. 107.70
Aegon P	Fl 105	97	0.10	-	-	-	-	Fl 107.70
Ahold C	Fl 120	273	6.70	10	12			Fl 126.60
Ahold P	Fl 135	119	8.30	-	-			Fl 126.60
Akzo C	Fl 140	25	0.10	480	4.80	20	8.50	Fl. 135.30
Akzo P	Fl 140	311	5.20	354	8.30	7	8	Fl 135.30
Amev C	Fl. 60	306	0.10	995	2.70 a	19	4.70	Fl. 58
Amev P	Fl 60	109	2.20	10	4	-	-	Fl. 58
Amro C	Fl. 80	410	0.40	22	4.60	17	7.10 b	Fl. 80
BUHRMANN-T C	Fl 70	1880	0.50	59	4.30	11	6.20	Fl 70.30
DAF N.V C	Fl 50	429	0.60 b	95	3.90	-	-	Fl 50.70
N V DSM C	Fl 125	-	-	401	3.50	15	7	Fl 118.30
N V DSM P	Fl. 125	217	6.50 a	111	7.80 b	12	9	Fl. 118.30
Elsevier C	Fl. 75	540	0.30	33	5.60	10	6.50	Fl. 74.80
Elsevier P	Fl. 75	139	0.30 a	127	3.40	4	4	Fl. 74.80
Gist-Broc. C	Fl. 35	2336	0.10	317	2.80	24	4	Fl. 34.70
Gist-Broc. P	Fl. 35	961	0.30	151	2	40	2.50 b	Fl 34.70
Heineken C	Fl 130	304	0.10	42	6.50	18	9.70	Fl. 128
Heineken P	Fl 130	275	1.70	27	5.50 b	4	7 b	Fl 128
Hoogovens C	Fl 90	1689	0.10	585	6.50 a	66	10.80 a	Fl. 87.80
Hoogovens P	Fl 100	520	11.70	44	13.50 b	3	15 b	Fl. 87.80
KLM C	Fl 50	3357	0.10	335	3.30	30	5.40	Fl. 49
KLM P	Fl. 55	1031	6	132	6.50 b	284	6.80 b	Fl 49
KNP C	Fl. 50	429	1	204	3.90	131	5.40	Fl 50.80
KNP P	Fl 50	458	0.10	241	2.30	30	3	Fl 50.80
NEDLLOYD C	Fl 88	1058	2.80 a	20	10 a	-	-	Fl 90.50
NEDLLOYD P	Fl 94	719	3 b	5	7			Fl. 90.50
NMB C	Fl 250	-	-	105	10.50	4	17.50 a	Fl 345.50
Nat.Ned C	Fl 65	1497	2.50	11	5.70 a	28	7.40	Fl 67
Nat.Ned. P	Fl. 65	544	0.10	88	1.80	24	2.80	Fl 67
Philips C	Fl. 45	5620	1.90	1363	4.20	446	5.50	Fl. 46.80
Philips P	Fl 40	1	0.10	29	0.80 b	536	1.50	Fl. 46.80
Royal Dutch C	Fl 140	1604	2.40	746	9.10	50	13	Fl 142.10
Royal Dutch P	Fl 140	531	0.10	141	4.20	53	5.80	Fl 142.10
Unilever C	Fl 150	1190	1.10	232	7.20	236	11.50	Fl. 150.90
Unilever P	Fl. 150	494	0.10	92	5.20	276	6.60	Fl. 150.90
Van Ommeren C	Fl. 35	295	0.10	259	2.50	10	3.90	Fl. 34.20
Van Ommeren P	Fl. 35	536	1	158	2.50	28	3.20	Fl. 34.20

TOTAL VOLUME IN CONTRACTS 125,732

A=Ask B=Bid C=Call P=Put

BANK RETURN

BANKING DEPARTMENT	Wednesday October 18, 1989		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	76,468,317	+	342,181
Bankers Deposits	1,596,194,520	+	124,873,494
Reserve and other Accounts	2,320,064,353		82,162,414
	4,007,280,190	+	43,053,261
ASSETS			
Government Securities	1,631,736,534	+	268,970,000
Advance and other Accounts	1,096,630,673	+	133,689,802
Premises Equipment & other Secs	1,094,397,385		357,949,242
Notes	4,300,865		1,658,329
Coin	214,733	+	1,090
	4,007,280,190	+	43,053,261

ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	14,985,699,135		28,341,671
Notes in Banking Department	4,300,865		1,658,329
	14,990,000,000	-	30,000,000
ASSETS			
Government Debt	11,015,000		
Other Government Securities	12,719,958,567		1,888,359,602
Other Securities	2,259,026,333	+	1,858,359,602
	14,990,000,000	-	30,000,000

BASE LENDING RATES

	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm.Bk.N.East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williams Secs.	15
Bank Hapoalim	15	First National Bank Plc	16	Standard Chartered	15
Bank Credit & Comm	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh	15		
Cl. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

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FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Fri Oct 20 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Thu Oct 19 Index No.	Wed Oct 18 Index No.	Tue Oct 17 Index No.	Year ago (approx) Index No.	1989 High	1989 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (208)	879.35	.....	12.58	4.81	9.73	27.82	879.44	867.12	850.97	823.08	1812.97 18/8	775.54 3/1	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (29)	1037.00	+0.5	14.95	5.32	8.36	35.78	1031.57	1007.15	989.12	1035.25	1287.14 19/5	939.86 3/1	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (37)	1404.07	+0.3	17.38	5.48	7.51	51.75	1399.56	1368.02	1345.77	1627.36	1801.66 14/3	1340.61 16/10	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	2522.08	-1.2	10.94	4.93	11.49	68.90	2553.41	2543.74	2489.34	2343.57	3040.80 8/9	2294.38 3/1	3040.80 8/9/89	84.71 25/6/62
5	Electronics (30)	1947.87	+0.4	9.45	3.77	13.63	49.22	1938.53	1923.48	1891.74	1772.38	2308.22 19/5	1776.44 3/1	2308.22 19/5/89	1229.81 8/10/85
6	Mechanical Engineering (54)	474.53	-0.4	11.79	4.74	10.32	14.38	476.63	469.42	459.37	432.07	558.05 20/7	406.34 3/1	558.05 20/7/89	45.43 5/1/75
8	Metals and Metal Forming (6)	452.34	-0.3	22.73	6.62	4.85	15.15	453.54	451.38	439.86	500.17	562.47 19/5	439.86 17/10	596.67 9/10/87	49.65 6/1/75
9	Motors (18)	351.54	+0.5	11.20	4.81	10.45	9.97	349.96	347.33	342.83	288.68	378.65 22/9	258.24 3/1	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (24)	1638.75	-0.6	10.07	4.57	11.71	51.93	1648.85	1624.68	1594.26	1371.41	1881.53 18/8	1311.63 3/1	1881.53 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (184)	1232.55	-0.7	8.94	3.57	14.06	26.91	1240.75	1230.65	1208.93	1098.42	1417.92 4/9	1016.74 3/1	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (23)	1413.26	-0.6	9.25	3.49	13.52	28.11	1422.47	1418.91	1396.95	1160.10	1583.71 5/9	1112.42 3/1	1583.71 5/9/89	69.47 13/12/74
25	Food Manufacturing (20)	1099.23	-0.4	9.31	3.89	13.56	25.28	1104.13	1093.28	1074.83	983.42	1220.42 4/9	926.04 3/1	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (14)	2288.52	-0.4	9.14	3.06	14.47	43.00	2297.62	2288.13	2247.76	1928.79	2722.38 5/9	1784.64 3/1	2722.38 5/9/89	54.25 11/12/74
27	Health and Household (14)	2371.88	-1.0	6.59	2.02	18.08	39.12	2395.00	2386.36	2342.69	1943.45	2772.31 4/9	1778.20 3/1	2772.31 4/9/89	175.38 28/5/80
29	Leisure (34)	1564.58	-1.5	8.41	3.69	14.65	37.26	1588.88	1582.86	1555.80	1411.19	1845.77 8/9	1346.22 3/1	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (15)	533.53	.....	11.22	4.88	11.11	16.17	533.59	530.10	521.13	563.41	623.86 4/9	512.34 16/10	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (18)	3478.72	.....	9.16	4.90	14.02	105.93	3477.89	3442.76	3362.87	3482.57	3916.24 8/2	3236.76 4/1	5070.66 5/10/87	55.08 6/1/75
34	Stores (32)	770.57	-0.5	11.11	4.76	11.75	18.59	774.08	753.35	738.55	773.30	921.71 4/9	679.97 3/1	1160.58 29/7/87	52.63 6/1/75
35	Textiles (14)	587.52	-0.1	11.27	5.79	10.76	15.74	587.97	587.41	502.13	526.72	586.98 21/9	464.58 0/0	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (93)	1116.98	-0.3	10.51	4.59	11.53	27.47	1120.10	1106.29	1087.44	916.90	1225.60 5/9	896.15 3/1	1225.60 5/9/89	58.63 6/1/75
41	Agencies (17)	1500.10	+1.2	7.03	2.40	17.53	25.00	1482.36	1465.10	1429.38	1088.28	1630.70 5/9	1030.84 3/1	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (22)	1205.31	-0.1	12.45	5.19	9.46	43.00	1206.29	1200.79	1178.59	1075.63	1370.94 11/8	1026.37 3/1	1545.46 5/10/87	71.20 1/12/74
43	Conglomerates (13)	1590.43	-0.8	10.74	5.39	10.95	36.04	1603.19	1569.86	1542.89	1256.50	1819.46 11/8	1254.94 3/1	1819.46 11/8/89	975.19 10/11/87
45	Transport (13)	2161.86	+0.1	10.36	4.34	12.34	56.50	2160.33	2131.58	2103.15	1961.13	2554.69 12/7	1836.25 4/1	2554.69 12/7/89	90.80 29/6/62
47	Telephone Networks (2)	1090.86	-0.7	11.11	4.53	11.73	22.38	1098.73	1099.48	1074.41	980.71	1195.84 25/9	1002.43 3/1	1274.14 9/6/87	517.92 30/11/84
48	Miscellaneous (26)	1835.17	-0.2	9.49	4.48	11.90	44.74	1839.20	1791.00	1776.45	1254.24	2087.06 11/7	1183.56 5/1	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (485)	1123.30	-0.4	10.32	4.18	11.95	28.00	1127.65	1115.43	1095.67	991.17	1273.71 5/9	935.74 3/1	1273.71 5/9/89	59.01 13/12/74
51	Oil & Gas (15)	2160.56	+0.2	10.03	5.25	13.18	87.50	2157.18	2153.05	2121.33	1737.72	2306.36 13/9	1725.48 0/0	2458.68 16/7/87	87.23 29/5/62
59	500 SHARE INDEX (500)	1210.42	-0.3	10.28	4.33	12.11	32.05	1214.19	1202.54	1181.74	1054.91	1355.68 5/9	1002.81 3/1	1369.08 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (121)	746.31	+0.1	-	5.59	-	20.17	745.41	736.94	728.16	706.18	824.58 8/9	670.86 3/1	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	744.20	-0.1	23.19	6.72	5.67	35.17	744.65	742.20	739.81	697.83	846.87 25/8	657.74 3/1	898.38 16/7/87	62.44 12/12/74
65	Insurance (Life) (8)	1222.55	+1.1	-	5.19	-	47.56	1209.33	1187.20	1185.76	1003.03	1263.23 3/10	933.96 5/1	1285.72 9/10/87	44.88 2/1/75
66	Insurance (Composite) (7)	637.81	+0.4	-	5.93	-	28.34	635.26	626.72	617.05	537.16	682.20 14/9	528.72 3/1	787.58 13/10/87	43.96 13/12/74
67	Insurance (Brokers) (7)	1014.10	+0.2	7.43	6.20	17.91	45.26	1012.03	1001.08	926.61	975.13	1071.22 8/2	916.68 3/1	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (11)	392.12	+0.1	-	4.31	-	9.70	391.59	391.55	380.81	343.35	417.88 5/10	318.05 3/1	547.59 12/10/87	31.21 7/1/75
69	Property (49)	1162.97	-0.6	7.61	3.49	16.73	21.42	1170.03	1143.43	1126.55	1242.83	1398.87 5/9	1126.55 17/10	1398.87 5/9/89	56.01 20/4/65
70	Other Financial (30)	326.86	+0.7	12.18	6.76	10.70	13.25	323.67	320.90	314.15	374.27	391.49 8/2	304.56 16/10	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (68)	1175.39	+0.3	-	2.95	-	20.26	1171.92	1160.54	1147.97	938.16	1208.84 8/9	922.04 3/1	1208.84 8/9/89	71.12 13/12/74
81	Mining Finance (1)	660.80	-0.6	11.31	4.08	9.94	22.25	664.65	660.80	645.41	581.98	754.47 8/9	561.58 3/1	754.47 8/9/89	66.31 30/9/74
91	Overseas Traders (8)	1282.21	-0.1	10.79	6.23	10.64	48.84	1283.82	1266.62	1255.90	1353.84	1543.93 8/9	1255.90 17/10	1543.93 8/9/89	97.37 6/1/75
99	ALL-SHARE INDEX (698)	1097.64	-0.2	-	4.49	-	31.38	1100.15	1089.30	1071.59	968.82	1225.88 5/9	921.22 3/1	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 19	Oct. 18	Oct 17	Oct 16	Oct 13	Year ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2179.1	-10.2	2189.8	2176.9	2189.3	2170.1	2135.5	2163.4	2233.9	1859.3	2426.0 5/9	1782.8 3/1	2443.4 16/7/87	986.9 23/7/84

FIXED INTEREST

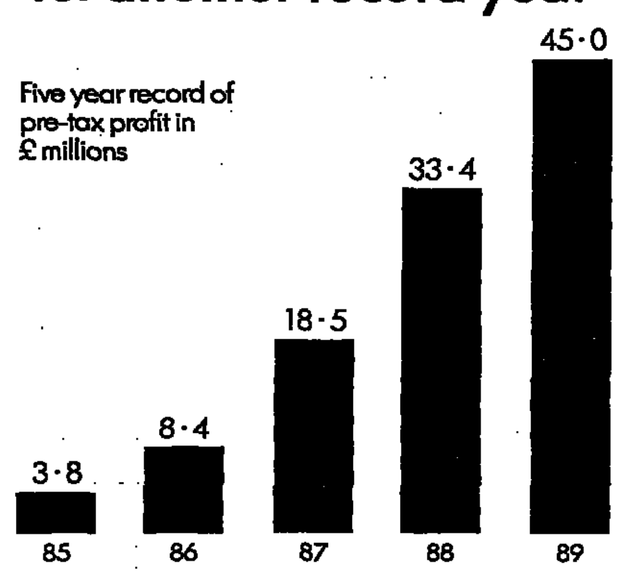
	PRICE INDICES	Fri Oct 20	Day's change %	Thu Oct 19	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.67	+0.13	116.51		10.00
2	5-15 years	129.96	+0.02	129.94		11.60
3	Over 15 years	140.09	-0.22	140.40		12.00
4	Irredeemables	162.19	-0.56	163.10		8.83
5	All stocks	128.24	+0.02	128.21	-	11.24
	Index-Linked					
6	Up to 5 years	137.33	+0.16	137.11		2.79
7	Over 5 years	136.00	-0.01	136.02		3.21
8	All stocks	135.99	....	135.98	-	3.15
9	Debentures & Loans	108.76	-0.11	108.99	0.11	9.10
10	Preference	87.16	+0.10	87.07	-	5.05

	AVERAGE GROSS REDEMPTION YIELDS		Fri Oct 20	Thu Oct 19	Year ago (approx.)	1989 High	1989 Low
	British Government						
1	Low	5 years	9.66	10.02	9.56	10.48 11/10	8.88 9/2
2	Coupons	15 years	9.66	9.52	9.19	9.76 14/6	8.77 9/2
3		25 years	9.66	9.46	8.89	9.66 20/10	8.73 16/2
4	Medium	5 years	11.01	11.03	9.97	11.33 14/6	9.96 8/2
5	Coupons	15 years	9.99	9.96	9.42	10.28 14/6	9.21 8/2
6		25 years	9.62	9.57	9.13	9.81 14/6	8.85 17/2
7	High	5 years	11.13	11.14	10.09	11.44 14/6	10.13 8/2
8	Coupons	15 years	10.21	10.18	9.55	10.49 14/6	9.41 8/2
9		25 years	9.79	9.74	9.19	9.99 14/6	8.99 27/1
10	Irredeemables	†	9.59	9.52	8.85	9.63 13/10	8.68 15/3
	Index-Linked						
11	Inflation rate 5%	5yrs.	4.00	4.03	2.78	4.10 13/10	2.75 21/8
12	Inflation rate 5%	Over 5 yrs.	3.71	3.71	3.59	3.84 5/6	3.41 21/8
13	Inflation rate 10%	5 yrs.	3.12	3.14	1.61	3.30 2/6	1.91 21/8
14	Inflation rate 10%	Over 5 yrs.	3.53	3.52	3.42	3.67 5/6	3.23 21/8
15	Debs &	5 years	13.59	13.54	11.63	13.73 17/10	11.47 30/12
16	Loans	15 years	12.22	12.20	10.96	12.49 13/10	11.19 1/2
17		25 years	11.68	11.67	10.65	11.83 13/10	10.66 27/2
18	Preference	†	10.60	10.61	10.17	10.61 17/10	10.00 17/3

‡Opening index 2188.9; 10 am 2180.3; 11 am 2180.0; Noon 2182.8; 1 pm 2182.0; 2 pm 2182.7; 3 pm 2182.8; 3.30 pm 2185.7; 4 pm 2180.7 (a) 9.01am (b) 4.23pm

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	Mining Finance	29/12/67	100.00
Conglomerates	31/12/86	1114.07	Mechanical Engineering	31/12/71	153.84	All Other	10/4/62	100.00
Telephone Networks	30/11/84	517.92	Industrial Group	31/12/70	128.20	British Government	31/12/75	100.00
Electronics	30/12/83	1646.65	Other Financial	31/12/70	128.06	Do. Index-linked	30/4/82	100.00
Other Industrial Materials	31/12/80	287.41	Food Manufacturing	29/12/67	114.13	Debs & Loans	31/12/77	100.00
Health/Household Products	30/12/77	261.77	Food Retailing	29/12/67	114.13	Preference	31/12/77	76.72
Other Groups	31/12/74	63.75	Insurance Brokers	29/12/67	96.67	FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 32p.
CONSTITUENT CHANGES: Avis (9) has been deleted and replaced by Barry Wehmiller International (10). FTA ALL SHARE INDEX: Share capital changes for the constituents can be found daily on Topic page no. 10243



INTERNATIONAL COMPANIES AND FINANCE

US associate of Qintex files for bankruptcy

By Karen Zagor in New York

QINTEX ENTERTAINMENT, a US affiliate of the Australian company which tried to take over the MGM/UA film and television group, yesterday filed for bankruptcy protection, raising concerns about the future of its parent.

The US company, which specialises in adding colour to black and white films, said it had filed for protection under Chapter 11 of the federal bankruptcy code for itself and its two subsidiaries, Hal Roach Studios and Qintex Productions. In addition, its chief executive and a member of its board resigned.

Qintex Entertainment, 43 per cent owned by the Qintex Australia media group, said the bankruptcy filing came after the group failed to raise just $5.95m to meet a deadline on Thursday for a payment-on-distribution agreement with MCA, another Hollywood studio group. Qintex Entertainment said it relied on Qintex Australia for its working capital but neither company had been able to persuade a lender to put up the money.

"Failure to make this payment might have resulted in the loss of valuable assets of Qintex Entertainment, and additionally may have triggered acceleration clauses under other debt agreements of Qintex Entertainment," the Beverly Hills, California company said.

An agreement by the Australian parent to acquire MGM/UA broke down last week when the company was unable to cover a $50m security deposit on the $1.5bn deal. MGM/UA has filed a lawsuit against Qintex, *demanding at* least $50m in damages for alleged breach of contract and fraud.

Qintex Entertainment *said it* was not named in the MGM suit and was not part of the failed deal.

One analyst said yesterday that Qintex Australia, which is run by Mr Christopher Skase, generally left its US subsidiary to operate independently. But Mr Skase's failure to bail out the US company puts a new question mark against the financial state of the Australian company, which is believed to carry debt of about A$900m (US$703m). The US company is thought to have borrowings of US$100m.

The bankruptcy filing was followed by the resignation of Mr David Evans, chief executive of Qintex Entertainment. A member of the company's nine-member board, Mr Roger Kimmel, also resigned.

Shares in *Qintex Entertainment* plunged $2¾ to stand at only $1⅞ by midday in over-the-counter trading.

Mr Skase is in dispute with the Australian Broadcasting Tribunal, a watchdog agency, over the way he acquired his television stations. Australian commercial television has been under increasing pressure from higher costs and weaker advertising revenues. Qintex Australia's resort operations have also been hurt recently by a slowdown in tourism.

BP sells Australian interests for $275m

By Chris Sherwell in Sydney

BRITISH PETROLEUM launched the divestment of its worldwide coal interests yesterday, with the US$275m cash sale of its Australian interests to CRA, the Melbourne-based mining group.

CRA, one of Australia's largest mining companies, is the 49 per cent-owned affiliate of RTZ of the UK, to which BP earlier sold its minerals interests for £2.4bn (US$3.83bn).

According to a joint announcement, BP and CRA have signed a definitive agreement for the sale of BP Australia's three wholly-owned mines in New South Wales and have agreed in principle for CRA to acquire the joint venture interests subject to pre-emption rights of BP's partners.

The deal gives CRA the Tahmoor underground mine south-west of Sydney, which produces coking coal, the Howick open-cut steaming coal mine in the Hunter Valley north of Sydney, and the small Western Main steaming coal mine.

The *joint* ventures are the Clarence Colliery in New South Wales and the Winchester South exploration project in Queensland. BP Australia's total annual production in recent years has been 5.5m to 6.5m tonnes, about 60 per cent of it steaming coal.

Mr John Ralph, CRA managing director, said the purchase would strengthen the group's base in coal. Its existing businesses include Pacific Coal, the 10m tonne-per-year steaming coal operation in Queensland, and Kembla Coal & Coke, which has three underground coking coal mines in New South Wales.

CRA added that it was considering a proposition under which another unnamed company would acquire a 40 per cent interest in the Howick mine, leaving it with the remaining 60 per cent and management responsibility.

BP unveiled its plan to sell its coal interests in mid-June, and yesterday's agreement, concluded in the US, marked the first step in its implementation. Completion is scheduled for end-November, subject to government approvals.

BP's disposal of its mineral and coal interests represents a major strategic move by Britain's largest company to concentrate on its core business of oil.

The only hitch remaining in its minerals sale to RTZ is the disposal of the Olympic Dam copper, uranium, gold and silver mine at Roxby Downs in South Australia, where Western Mining has pre-emptive rights over BP's 49 per cent holding.

American Airlines charts a European course

US carriers' expansion moves into the EC are causing concern, Paul Betts reports

Now that Mr Donald Trump has dropped, for the time being at least, his hostile $7.1bn takeover bid for American Airlines, the US carrier is concentrating all its forces again on the aggressive expansionary strategy which has transformed it in the last five years into the western world's largest airline.

"Europe continues to be our main target. By next month we will be serving 14 destinations in western Europe and we want to double that number by 1992," said Mr Conrad Jacoby, the company's new vice president for Europe. "But we are also looking towards some expansion in the Pacific and we have already made filings for a number of cities in South America.

"We would also like to go to eastern Europe and we are looking at Budapest, Warsaw and Moscow," added the former Pan Am executive who joined American this summer.

Of all the US carriers, American Airlines is regarded by European national airlines as probably the biggest threat on the North Atlantic market. Although Pan Am and TWA still have a bigger share of the overall transatlantic passenger market than American, its current strategy of attacking Europe from all sides from a particularly strong US domestic base has sent shock waves in the European airline industry.

Mr Jacoby makes no secret that one of the main reasons for American's current blitz on Europe is to position the carrier in as many places as possible before the European single market of 1992. Almost all the major cities of Europe are on American's hit list. "By 1992 we want to serve most European destinations because we feel Europe might become more restrictive. There may be a freer market within the EC but there might also be a frontier Europe making it more difficult for us to enter the Community market after 1992," he explained.

European national carriers are already lobbying hard their governments to try to stall the current expansionary moves by US airlines into the Community at the same time as demanding greater access for European airlines into the US market.

Indeed, European airlines have long argued that the dice are heavily loaded in favour of US airlines on the transatlantic market because the US has continued to deny Europeans gateway rights into the US domestic market.

Others, like British Airways, SAS, KLM and Swissair, have also been attempting to forge shareholding ties with US airline partners in an effort to gain a bigger foothold into the US market.

American Airlines' recent foray into the European market offers a key insight into why European airlines are now scrambling to form partnerships and boost the overall size of their operations. American's fleet will total 530 aircraft by the end of this year and grow

Conrad Jacoby: concentrating on aggressive expansion

to 642 by the end of 1994. And this does not include the 300 aircraft operated by the carrier's American Eagle subsidiary, which concentrates on short-haul US routes.

By comparison, an airline like Lufthansa, which has been discussing a possible marketing agreement with American, plans to increase its current fleet of 163 aircraft to 227 by 1996 and to about 350 by the end of the century.

Moreover, the European airlines have also been losing out to US carriers during the last three years on the North Atlantic. A recent Rolls-Royce airline market study shows that during this period there has been a surge in westbound traffic and a decline of North American residents visiting Europe.

But although the European airlines would be expected to have taken advantage of this trend, the US carriers have generally benefited most from the growth in this market, largely as a result of aggressive frequency-led capacity expansion. US carriers like American have also focused on secondary gateways on both sides of the Atlantic using smaller extended-range twin-engined aircraft like the Boeing 767 rather than Boeing 747 jumbos.

"Using 767 extended-range jetliners makes us very efficient because of the size of the aircraft. We can serve a lot of destinations non-stop and we can build up frequency with these aircraft which you could not do with the big 747," said Mr Jacoby.

American's European routes fly at present into four US hubs including Dallas-Fort Worth, Chicago, Raleigh-Durham, and John F. Kennedy in New York. "At Dallas, our passengers from Europe have an incredible selection of connections since we fly 400 daily non-stop flights out of that airport," he said. The company plans to develop a new hub at Miami.

The 767 extended-range aircraft with seating capacity of between 174 and 215 has also enabled American to open services to new destinations in Europe with limited or no direct access to the US. The carrier now flies a non-stop service from Manchester to Chicago and recently started a service from Lyon to New York.

"We are looking for new places in Europe where national carriers are not going for whatever reason they may have," said Mr Jacoby, adding that Manchester had turned out to be the company's biggest European success story. American would now like to fly additional services from the city.

But its application has been bogged down in US-UK bilateral air traffic negotiations, with the UK insisting on greater access for UK airlines into the US before granting new rights for US carriers to fly into Manchester.

Indeed, American retaliated last week by pressing the US authorities just before the Wall Street airline stock collapse not to grant approval for BA's planned stake in United Airlines, the second largest US carrier, before securing changes from London in the bilateral air transport agreement.

Mr Jacoby also confirmed that American Airlines and its tough-minded chairman, Mr Robert Crandall, intended to pursue the carrier's "go-it-alone" policy.

"We have long had marketing agreements with other airlines and we will clearly continue to do so. But all this stake-taking appears a big puzzle to us," said Mr Jacoby. "Our strategy of differentiating ourselves from other US carriers has been successful so far. Why change it?" he asked.

That may well be sound, at least until Mr Trump or some other unwelcomed raider decides to try another shot at the airline when the dust settles on Wall Street.

Apple ends year with advance to $161.1m

By Martin Dickson in New York

APPLE COMPUTER, which has seen its earnings squeezed over the past year by high components costs, has reported a fourth-quarter improvement in profit margin and said it expected this to produce greater profitability in 1990.

Net income was $161.1m in the quarter, but that included a $48m one-time gain from the sale of its stake in Adobe Systems, the software business. Stripping that out, profits from operations were $113.1m compared with $107.9m a year earlier, on sales up 18 per cent at $1.38bn.

Earnings per share, excluding 37 cents from Adobe, were 87 cents against 84 cents.

Full-year sales rose 30 per cent to $5.28bn. Net income, including the Adobe sale, totalled $454m against $400.3m. Earnings were $3.53 a share against $3.08 the previous year.

High components costs, particularly for dynamic random access memory chips squeezed profit margins for much of the year, and in the second quarter it suffered a drop in year-on-year earnings.

But Mr John Sculley, chairman, said the pressure on margins had now subsided and in the fourth quarter there was a 2 per cent improvement in the gross margin for the first time in the financial year.

"We believe fiscal 1990 will be another year of significant revenue growth. We also expect that our profitability will continue to improve largely as a result of better gross margins," he said.

Bond Corp squares up to harsh reality

Chris Sherwell on fundamental changes in structure and direction at the diverse Australian group, reflected in its massive slide into loss

If there was a single statement from Bond Corporation yesterday which captured the essence of its breathtaking losses, it was this: "In the long-term interests of the group as a whole, some harsh but imperative steps had to be taken during the year, and these have been reflected in these results."

The figures showed an operating loss after tax of A$814.1m (US$636m) for the year to June – a massive slide from the previous year's A$354.7m profit – and an extraordinary loss of A$166m.

These were suffered in spite of a 69 per cent jump in sales revenues to A$8.46bn.

The 58 per cent-owned Bell Resources contributed to the flow of red ink with an attributable loss of A$368m for the six months to June. Bell Group, which is 70 per cent owned, posted a loss for the year of A$272m. Only the small J.N. Taylor reported a profit, of A$15m.

A breakdown of the Bond Corp figures showed declines in profit before interest and tax of 50 per cent in the brewing operation (to A$123m) and 70 per cent in the resources division (to A$8m), while gains were shown in the media business (trebling to A$174m) and property (up 9 per cent to A$244m).

But the biggest losses came in the corporate division: totalling A$582m, they comprised large provisions in Bond and Bell Resources for diminutions in value, losses incurred on shares, options and notes in listed public companies, and provisions for bad and doubtful debts.

Interest expenses were A$857m, up sharply from the previous year's A$371m, and these pushed the pre-tax loss to A$819m.

A further decision not to recognise tax benefits of more than A$450m meant that this was only cut back to A$806m (or A$814m after minorities).

Another A$166m in extraordinary items consisted of the write-off of non-recoverable goodwill relating primarily to the costs involved in acquiring Bell Group and Bell Resources.

That deal, in March 1988, is regarded by independent analysts as the single most costly transaction undertaken by Mr Bond – more important than his abortive assault on Lonrho, the international trading conglomerate.

Another feature of the results is the group's admission that the auditors are dissatisfied with its decision not to make provisions against the A$971m value of its television licences, its A$250m investment in a petrochemical plant, the question of a provision for the SGIC indemnity and its A$235m investment in British Satellite Broadcasting.

Bond openly acknowledges that its rapid growth between 1985 and 1988 was substantially financed by debt. It admits an important element in restoring the financial standing of the group is to sell assets and investments which do not fit or do not generate a satisfactory return, and to use the proceeds to retire debt and reduce gearing.

"The previous unbroken cycle of profits achieved by the group encountered [the past year's] very different and difficult circumstances," it says. These "have necessitated some fundamental changes in the structure and direction of the group."

According to Mr Peter Lucas, freshly installed from Bond's Hong Kong operation as Perth-based head of investor relations, the figures show the group "warts and all."

He added last night: "We're making plain precisely what Bond is and where it's at. There's no point in shirking or hiding from reality."

It is too early to know whether the figures will satisfy the National Companies and Securities Commission, Australia's stock market watchdog, which has spoken to Bond's accountants several times to remind them of their responsibilities.

But release of the figures, by giving an updated indication of the group's financial affairs, should allow the next step in the planned A$2.5bn sale of Bond's brewing assets into a joint venture with Lion Nathan of New Zealand.

This deal has become critical to the group's future, as the brewing assets are in the balance sheet at A$950m. With completion of the proposed deal, another A$1.55bn of assets will be recognised, lifting shareholders' equity.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES

	Latest prices	Change on week	Year ago	High 1989	Low 1989
Gold per troy oz.	$366.00	+2.25	$410.00	$412.25	$356.5
Silver Per troy oz	319.65p	-6.35	360.25p	358.65p	313.90p
Aluminium 99.7% (cash)	$1875	+32.5	$2574	$2610	$1664
Copper Grade A (cash)	£1834	-55	£1799	£1982.5	£1474
Lead (cash)	£487	-0.5	£377.75	£487.5	£337
Nickel (cash)	$10437.5	-10.0	$11675	$19350	$10245
Zinc (cash)	$1575	-35	$1627.5	$2107.5	$1497.5
Tin (cash)	$7837.5	-407.5	$4235	$10760	$7460
Cocoa Futures (Mar)	£716	-4	£800	£947	£715
Coffee Futures (Jan)	£680	-5	£1128	£1270	£658
Sugar (LDP Raw)	$355.4	+2.4	$268.4	$363.6	$235.8
Barley Futures (Jan)	£110.3	-0.6	£107.95	£113.50	£100.95
Wheat Futures (Jan)	£111.6	-1.6	£109.75	£120.65	£104.7
Cotton Outlook A Index	81.65c	-0.90	57.90c	84.95c	61.35c
Wool (64s Super)	598p	-7	683p	710p	585p
Rubber (Spot)	55.75p	-0.75	60.25p	64p	55p
Oil (Brent Blend)	$19.275q	-0.300	$13.345	$21.35	$16.125

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. q-Nov.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.15-6.25w	-0.05
Brent Blend	$19.20-9.35q	-0.10
W.T.I. (1 pm est)	$20.10-0.15q	-0.20

Oil products (NWE prompt delivery per tonne CIF) [illegible]

Other [illegible]

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Jan/Mar. v-Nov/Dec. w-Dec. q-Nov. z-Jan/Feb. Meat Commission average fatstock prices. * change from a week ago. ♦London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX (£/tonne)

[illegible]

COFFEE – London FOX

[illegible]

SUGAR – London FOX ($ per tonne)

[illegible]

GAS OIL – IPE ($/tonne)

[illegible]

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
Dec	18.74	18.61	18.87	18.70
Jan	18.26	18.45	18.35	18.35
Feb	18.17	18.10	18.22	18.17
Mar	18.02	18.02		
Apr	18.02	18.02		
IPE Index	18.77	18.04		

Turnover: 6089 (8941)

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						
Cash	1860-70	1875-85				
3 months	1785-800	1800-5				

[illegible]

POTATOES – BFE (£/tonne)

[illegible]

SOYABEAN MEAL – BFE (£/tonne)

[illegible]

FREIGHT FUTURES – BFE ($10/index point)

[illegible]

GRAINS – BFE (£/tonne)

[illegible]

PIGS – BFE (Cash Settlement) p/kg

[illegible]

LONDON BULLION MARKET

[illegible]

TRADED OPTIONS

[illegible]

US MARKETS

Indications of heavy pork belly consumption led to a rally in the futures which was fueled by commission house buy stops, reports Drexel Burnham Lambert. Live hogs rallied in sympathy, closing the discount of futures to cash and despite reduced packer demand. Cattle, on the other hand, eased as traders evened-up ahead of Fridays cattle-on-feed report with long liquidation noted in the October position. Copper futures fell sharply in late trading as sell-stops were elected following earlier pressure from fund selling. Late profit-taking pared losses. The precious metals were quiet, easing against a steady U.S. dollar with little interest noted. Coffee, cocoa and sugar all traded narrowly in quiet conditions. The grains, too, were quiet, tending to ease with pre-weekend long-liquidation and position-squaring, although underlying commercial support was noted. The energy complex was lower across the board influenced in part by the expiration of the November crude oil contract and by lower product prices in the mid-west U.S.

New York

[illegible]

Chicago

[illegible]

INTL. COMPANIES

Sanwa Bank to raise Y350bn

By Stefan Wagstyl in Tokyo

SANWA BANK, the fifth-largest Japanese commercial bank, yesterday announced plans to raise Y350bn ($2.46bn) in new capital, in the biggest equity offering ever made by a banking group.

The issue reflects the scale of Japanese banks' commitment to increasing capital in order to meet standards to be imposed worldwide by the Bank for International Settlements. The rules had been expected to slow Japanese banks' asset growth – instead they have accelerated fund-raising. In the last 18 months Japanese banks have raised an estimated Y2,640bn in new capital.

The ability to reinforce their capital in this way has enabled Japanese banks to continue their wide-ranging assault on international markets – including real estate lending in Manhattan, London and elsewhere, project finance, such as the Channel Tunnel, and leveraged buy-outs, including the failed plan for British Airways to take control of UAL.

Sanwa's issue is in two stages – a public offering of 60m shares to be carried out next month and a rights issue of 137.6m shares. In each case the shares will be sold at Y1,380, a deep discount to the market price. Sanwa's total capital will increase by 7.3 per cent.

The bank said that given the trends towards deregulation and internationalisation of financial markets, it was vital for banks to strengthen further their base. The bank was raising capital to meet BIS standards. At the end of March Sanwa's ratio of capital to assets was 7.8 per cent according to the standards BIS will enforce from 1992. This was slightly lower than other Japanese banks. The issue will bring Sanwa into line and above the BIS post-1992 minimum level of 8 per cent.

The previous largest capital offering by Japanese companies were convertible bond issues of Y300bn by Toyota Motor, the car maker, and Nippon Steel, the steel company. Other large issues have been made by top banks, including Industrial Bank of Japan, Sumitomo Bank, Fuji Bank and Mitsubishi Bank. Sanwa last year raised Y94.7bn from a public offering of 42m shares.

Credito Romagnolo, Italy's second largest private bank which is controlled by a group headed by Mr Carlo De Benedetti, yesterday announced plans to raise L228bn ($1.6bn) through a capital increase, writes John Wyles in Rome.

A one-for-two scrip issue will raise the bank's capital from L91.3bn to L137bn while in a related move the bank will issue 22.8m shares at L10,000 each on a one-for-four basis. Romagnolo shares on Italy's unlisted "third market" have been trading at L27,000 to L28,000.

The bank reported a 83 per cent increase in operating profits to L171bn in the first half of this year.

SBC confident of growth this year

By John Wicks in Zurich

SWISS BANK Corporation, Switzerland's second-biggest bank, expects a further improvement in profits this year, when it is showing a "clear shift away from interest-earning business towards commission and trading income."

Since this is considerably more volatile, earnings forecasts involve a certain element of uncertainty, "especially in the light of recent stock market developments," it adds.

In 1988, SBC [illegible] earnings rose 3.5 per cent to SFr675.1m ($416m). For the first three quarters of this year, SBC reports cash flow "well ahead of the corresponding 1988 figure."

In the third quarter itself, business developed well in all sectors of activity, with "very favourable" earnings levels from foreign exchange, precious metals and securities trading and fee-based income substantially ahead of budget.

However, the trend of interest margins is said to be causing some concern, the rise in lending rates having fallen far short of offsetting the higher cost of customer deposits.

As a result, net interest income barely matched corresponding 1988 levels. The bank's balance-sheet total at end-September totalled SFr169.5bn, compared with [illegible] at the end of last year. Within this total, loans and advances to clients rose by 13.3 per cent to SFr93.8bn, while the due-from-banks total dropped 4.8 per cent to SFr44.6bn.

On the liabilities side, customers' deposits were up 8.9 per cent to SFr105.5bn and the due-to-banks total by 4.4 per cent to SFr39.4bn.

CIC profits tumble to FFr348m in first half

By George Graham in Paris

CREDIT INDUSTRIEL et Commercial, the federation of regional French banks now under the control of the nationalised insurance group GAN, has reported a sharp downturn in net profits in the first half of this year to FFr348m ($55.3m).

The group said gross operating profits had risen by 18 per cent, as operating banking income climbed by 4 per cent to FFr6.8bn, with a 12 per cent increase in loan volume but lower lending margins and reduced profits from financial-market activities. Operating expenses were held stable.

CIC also substantially increased its bad-debt provisions, however, leaving net operating profits at the same level as in the first half of 1988.

In a statement yesterday, CIC added that the 44 per cent decline in net profits in the first half could not be extrapolated to the full year, since the 1988 first half was boosted by sizeable capital gains. The group is continuing its programme of asset sales and this should lead to capital gains in the second half of the year.

But Paris bankers say Mr François Caritte, who took over as group chairman in June, faces a difficult task in restoring CIC's morale.

"The question is whether the group's regional units are all suffering from the same difficulty, or whether each has its own unrelated problems. In any event, this time the medicine can no longer be homoeopathic," commented one banker.

Flotation boosts Dumez

By William Dawkins in Paris

DUMEZ, France's second-largest construction group, showed a 70 per cent increase in group net profits for the first half of the year, but warned that this did not indicate the likely outcome for 1989 as a whole.

Group profits rose to FFr252m ($40m) in the six months to June, from FFr148m in the first half of 1988, although the increase included a FFr70m extraordinary profit from the flotation of a subsidiary. Turnover, meanwhile, rose by 40 per cent to FFr14.2bn.

The group was unwilling to signal the possible progress of profits in the current half because of the seasonal nature of its business, but it said full-year turnover should grow by 38 per cent to FFr30bn.

The extraordinary profit came from a capital gain made on the June flotation of United Westburne, a supplier of building materials in Canada.

Steiner buys Nixdorf unit

KARL STEINER, the Swiss contractor group, has taken over the German company Nixdorf Infratec from Nixdorf Computer for an undisclosed price, writes John Wicks.

Nixdorf Infratec, which last year booked sales in excess of DM200m ($108m), employs 400 people and specialises in the design and construction of office buildings and data centres. Other activities include the production of air-conditioning and building management systems.

Steiner, a family-owned business based in Zurich, with annual turnover running at more than SFr500m ($308m), is a general contractor and is also active in Switzerland and Italy in the manufacture of such items as windows, wall-fronting, shopfittings and restaurant and laboratory equipment.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Speculation mounts over EMS

STERLING weakened on market disappointment at the lack of any new measures to defend the currency in Thursday's speech by Mr Nigel Lawson, the Chancellor. The market had squared positions ahead of Mr Lawson's Mansion House speech but felt the Chancellor was not emphatic enough in his commitment to defend the pound. This caused a general decline in the value of the currency.

Sterling lost 55 points to $1.5885 and also fell to DM2.9450 from DM2.9525; to Y226.00 from Y226.25; to SFr2.5825 from SFr2.5875; and to FFr10.0075 from FFr10.0225. On Bank of England figures, the pound's index fell 0.2 to 89.4.

The dollar lacked direction. It weakened in the Far East on fears that the decision by British Airways to pull out of the package deal to buy United Airlines would cause another fall in share prices on Wall Street. There were also rumours that the Bank of Japan is considering another rise in its discount rate, and this also contributed to the dollar's fall to the day's low of Y141.35 at the Tokyo close.

However, Wall Street took the news calmly, leading to the dollar's rally in New York. Trading was quiet, with the US currency moving in a fairly narrow range supported by short covering ahead of the weekend.

At the London close the dollar had advanced to DM1.8540 from DM1.8520; to Y142.35 from Y141.95; to SFr1.6250 from SFr1.6235; and to FFr6.3000 from FFr6.2875. The dollar's index advanced to 69.8 from 69.6.

Lack of direction in the dollar turned the market's attention back to the European Monetary System where the Danish krone continued to struggle against the strong D-Mark. At times the krone fell outside its cross rate limit against the West German currency, leading to speculation about a possible realignment of the EMS over the weekend. The Danish currency was just within agreed EMS limits at the European close, slightly below the Italian lira and Belgian franc.

Bonn is believed to favour a revaluation of the D-Mark against most of its EMS partners, and this caused funds to move into the German unit just in case there is a realignment before markets reopen on Monday. The D-Mark remained firm against the French franc, rising to FFr3.39775 from DM3.39525, but the franc improved slightly in general terms within the system.

Any move towards revaluation of the D-Mark is unlikely to involve a devaluation of the franc at this stage. Mr Pierre Beregovoy, French Finance Minister, said earlier this week: "If there was to be a realignment, the franc would follow the D-Mark."

£ IN NEW YORK

Oct.20	Latest	Previous Close
£ Spot	1.5895-1.5905	1.5950-1.5960
1 month	0.84-0.83pm	0.89-0.86pm
3 months	2.39-2.36pm	2.46-2.41pm
12 months	8.38-8.28pm	8.45-8.30pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

FORWARD RATES AGAINST STERLING

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Oct.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5845 - 1.5990	1.5880 - 1.5890	0.86-0.84cpm	6.42	2.47-2.44pm	6.18
Ireland†	1.4325 - 1.4450	1.4370 - 1.4380	0.28-0.24cpm	2.19	0.93-0.83pm	2.47
Canada	1.1725 - 1.1750	1.1735 - 1.1745	0.34-0.37cdis	-3.63	1.00-1.04dis	-3.47
Netherlands	2.0780 - 2.1010	2.0925 - 2.0935	0.12-0.10cpm	0.63	0.27-0.23pm	0.48
Belgium	38.65 - 39.15	38.90 - 39.00	2.50-4.50cdis	-1.08	8.00-10.50dis	-0.95
Denmark	7.17¾ - 7.25¼	7.24 - 7.24¼	2.10-2.50oredis	-3.81	5.25-5.70dis	-3.03
W. Germany	1.8395 - 1.8610	1.8535 - 1.8545	0.14-0.12pfpm	0.84	0.27-0.24pm	0.55
Portugal	158.05 - 158.60	158.45 - 158.55	60-70cdis	-4.58	155-165dis	-5.40
Spain	117.50 - 118.60	118.35 - 118.45	50-60cdis	-5.57	155-165dis	-5.40
Italy	1355 - 1369	1363¼ - 1364¼	4.70-5.20liredis	-4.35	13.00-14.00dis	-3.95

POUND SPOT- FORWARD AGAINST THE POUND

EMS EUROPEAN CURRENCY UNIT RATES

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

MONEY MARKETS

UK rates firmer

RATES WERE a little firmer in London yesterday as sterling weakened on the foreign exchanges. Three-month interbank rose to 15¼-15⅛ from 15⅛-15 per cent. The Bank of England kept credit conditions tight by not providing enough assistance to take out a large underlying shortage. A shortage of £1,150m was forecast, but this was revised to £1,300m at noon. Total help of £1,048m was provided.

An early round of help was offered, and at that time the authorities bought £398m bank bills in band 2 at 14⅞ per cent. In further operations before lunch the central bank bought £128m bills, by way of £1m Treasury bills in band 1 at 14⅞ per cent; £1m Treasury bills in band 2 at 14⅞ per cent; and £126m bank bills in band 2 at 14⅞ per cent.

UK clearing bank base lending rate 15 per cent from October 5

In the afternoon the Bank purchased £424m bills, via £11m bank bills in band 1 at 14⅞ per cent; £51m Treasury bills in band 2 at 14⅞ per cent; and £362m bank bills in band 2 at 14⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £435m, with Exchequer transactions absorbing £185m.

FINANCIAL FUTURES AND OPTIONS

LONDON TRADED OPTIONS

THE London Traded Options Market ended a hectic week quietly as dealers marked time ahead of the September UK trade figures, to be released on Tuesday. Institutions were content to remain on the sidelines and activity was confined largely to book squaring before the end of the account on Monday.

The sharp swings in the stock market at the beginning of the week had given the LTOM its busiest period so far this year. By mid-week the stock market had begun to regain its composure but this did not lead to much additional options business.

Instead, dealers said, institutions appeared to be suspicious of the stock market's recovery and preferred to wait for a setback. "The larger institutions had already hedged their stock holdings and were unlikely to come back into the market until a clearer trend emerged," one dealer said.

Movements by the FT-SE December futures index were again closely watched by traders who hoped to get a clearer idea of the market's direction. The futures market continued to indicate a premium of about 10 points over the underlying index. But the options market remained nervous before the trade figures and the FT-SE option turned over just 9,920 contracts, compared with 22,137 on Thursday.

Trading in the FT-SE puts dominated, reflecting worries about further stock market falls. The total included 8,189 puts and 1,731 calls. The most active series was the October 2,000 put, which traded 2,419 lots.

Among the stock options, BP was the most active, although this was due mainly to the closing of October positions. BP turned over 2,946 contracts, of which 1,902 were calls and 1,044 were puts. The most active contract was the October 300 call, which traded 689 lots.

Trusthouse Forte also featured as the underlying security traded briskly due to a profit downgrading by BZW. The share fall prompted private client and institutional selling of puts and buying of calls. THF turned over 1,870 contracts, of which 1,088 were calls and 782 were puts.

Total turnover on the LTOM amounted to 29,082 contracts, of which 12,124 were calls.

WORLD STOCK MARKETS

US MARKETS (3pm)

[illegible]

CANADA (3pm)

[illegible]

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

SINGAPORE

[illegible]

JAPAN

[illegible]

NOTES — [illegible]

INDICES

NEW YORK

DOW JONES	Oct 19	Oct 18	Oct 17	Oct 16	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2683.20	2643.65	2638.73	2657.38	2791.41 2 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	92.68	92.70	92.74	93.00	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1263.51	1247.87	1254.27	1304.23	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.42	213.97	214.54	214.73	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2707.58 (2664.34) Low 2650.61 (2610.66)

STANDARD AND POOR'S

	Oct 19	Oct 18	Oct 17	Oct 16	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	347.13	341.76	341.16	342.86	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	396.57	390.22	389.34	391.33	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	33.55	33.00	32.90	33.17	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	192.17	189.32	188.89	189.76	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	382.81	378.07	375.16	376.41	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	470.80	463.28	459.93	460.98	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Oct 13	Oct 6	Sep 29	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.62	3.74	3.63

	Oct 18	Oct 11	Oct 4	year ago (approx.)
S & P Industrial div. yield	2.95	2.82	2.82	3.19
S & P Indl. P/E ratio	14.28	14.91	14.90	13.03

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
Puget Sound	4,168,700	21⅛	----
Philip Morris	3,735,000	44½	+ 1⅛
BankAmerica	2,774,500	32	+ ⅛
AT&T	2,455,700	43⅜	+ ⅜
IBM	2,220,100	104⅛	+ 2⅞
Upjohn	2,149,600	39⅝	+ 1⅛
N Y E&G Cp	2,052,500	26½	+ ¼
Bristol Myers	1,988,600	52⅝	+ 1⅜
Pinnacle	1,798,600	11⅞	− ⅛
Dun & Bradst.	1,793,700	51⅞	− 1⅜

TRADING ACTIVITY

† Volume (Millions)	Oct 19	Oct 18	Oct 17
New York	198.120	166.900	224.070
Amex	14.584	12.355	16.651
NASDAQ	173.461	147.649	161.474
Issues Traded	1,950	1,934	1,979
Rises	1,222	811	635
Falls	342	662	941
Unchanged	386	461	403
New Highs	36	8	3
New Lows	18	33	35

CANADA

TORONTO	Oct 19	Oct 18	Oct 17	Oct 16	1989 HIGH	1989 LOW
Metals & Minerals	3587.98	3551.33	3527.1	3601.7	3919.2 (1/9)	3207.5 (3/1)
Composite	3969.66	3929.51	3904.2	3927.3	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	2034.55	2009.55	1997.39	2012.26	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct. 20	Oct. 19	Oct. 18	Oct. 17	1989 HIGH	1989 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1673.8	1655.9	1629.2	1662.6	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	805.6	798.4	788.5	801.5	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	471.62	472.92	475.06	482.45	515.09 (11/10)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6555.74	6498.17	6368.67	(u)	6805.28 (26/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	342.08	334.61	328.83	329.12	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	673.2	673.6	670.8	677.7	815.8 (18/4)	666.0 (16/10)
FRANCE						
CAC General (31/12/82)	533.8	523.9	519.9	526.5	561.6 (11/10)	417.9 (4/1)
Ind. Tendance(30/12/88)	120.5	120.5	117.5	118.6	128.3 (10/10)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	645.3	640.44	632.26	623.02	690.91 (10/10)	535.78 (27/2)
Commerzbank (1/12/53)	1900.8	1903.9	1878.7	1850.8	2056.8 (10/10)	1595.7 (27/2)
DAX (30/12/87)	1524.21	1526.60	1491.14	1475.44	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2703.95	2663.37	2628.55	2695.90	3309.64 (15/5)	2093.61 (5/6)
IRELAND						
ISEQ Overall (4/1/88)	1748.95	1744.78	1730.25	1695.06	1848.93 (10/8)	1360.64 (10/1)
ITALY						
Banca Com. Ital. (1972)	663.47	659.36	656.34	668.33	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	35486.38	35374.22	35107.56	34996.08	35689.98 (28/9)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2679.72	2665.66	2642.88	2639.66	2703.58 (2/10)	2366.91 (6/1)
2nd Section (4/1/68)	3717.46	3705.58	3689.86	3693.39	3804.11 (9/10)	2774.38 (27/3)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	258.3	260.5	256.2	252.2	272.7 (21/9)	208.3 (3/1)
CBS All Shr (End 1983)	198.6	200.3	197.0	193.9	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	651.75	648.94	635.37	631.01	695.50 (28/9)	467.17 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	1259.94	1214.18	1197.26	1222.83	1288.62 (13/10)	804.62 (6/2)
SINGAPORE						
Straits Times Ind. (30/12/66)	1345.60	1337.12	1310.22	1341.83	1431.85 (12/10)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1518.0‡	1542.0	1504.0	1491.0	1710.0 (27/9)	1291.0 (15/2)
JSE Industrial (28/9/78)	2511.0‡	2505.0	2467.0	2450.0	2838.0 (25/8)	1961.0 (3/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	903.29	909.54	917.19	927.69	1007.80 (3/4)	846.30 (1/7)
SPAIN						
Madrid SE (30/12/85)	314.83	310.35	308.73	311.12	328.93 (13/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4359.89	4347.31	4272.4	4258.75	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	784.5	788.5	766.3	761.6	829.1 (6/9)	613.1 (3/1)
TAIWAN**						
Weighted Price (30/6/66)	10161.99	10092.45	9968.28	10100.52	10773.11 (25/9)	4873.01 (5/1)
THAILAND						
Bangkok SET (30/4/75)	682.44	668.65	673.18	686.79	724.93 (13/9)	386.73 (2/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	538.1	528.4	526.6	551.2 (3/8)	487.6 (13/6)

**Saturday Oct.14: Taiwan Weighted Price: 10019.68. Korea Comp Ex. 934.41.

‡ Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

WORLD STOCK MARKETS

AMERICA

Dow recovers to surmount the ultimate hurdle

Wall Street

AT THE end of an extremely volatile week, which has seen wave upon wave of computerised programme trading, the equity market yesterday had to overcome its final hurdle, as October stock index futures and options expired, *writes Janet Bush in New York.*

Sell programmes related to stock index arbitrage hit the market during the morning session and the Dow Jones Industrial Average fell by about 16 points.

However, by 2 pm, the Dow had recovered nearly all of those losses to stand 0.82 points lower at 2,682.38. Volume was moderately active, with 101m shares changing hands.

After its brief recovery on Thursday from seven consecutive lower sessions, the Dow Jones Transportation Index plunged again yesterday in the wake of a British Airways statement that it would not participate in any UAL deal for the foreseeable future. The index was quoted 34.67 points lower at 1,228.84 at midsession.

UAL slumped $21⅞ to $168⅞ by midsession and AMR fell $2¾ to $71.

The British Airways news came as a surprise in London, where it was seen as a U-turn by the airline which had been suggesting all week that it would take part in a new deal for UAL at a lower price.

UAL's flight attendants union said yesterday that it would hold talks with the group's other members – UAL management and the pilots union – *on any new bid.*

Some of the deal stocks which revived on Thursday afternoon were lower again yesterday, while others continued to recover. It has become apparent in the latter part of the week that investors are being much more selective about speculative issues. Arbitrageurs were buying stocks which, they believed, represented genuine value for a potential bidder.

Hilton Hotels has been one of the most volatile stocks since October 13, when it fell very heavily. On Thursday, it made one of the session's largest gains but for very specific reasons. Hilton Hotels stock options are traded on the Pacific Stock Exchange, which was all but closed on Thursday. Because arbitrageurs with short positions could not cover those positions using options, they piled into the cash stock on Thursday. Hilton fell $1½ to $86⅛.

In contrast, Holiday Corp, long a rumoured takeover candidate and regarded as a serious prospect, yesterday added $⅞ to $73⅞.

There have been so many different influences on the market this week that it is difficult to measure how much of a return to health there has been and what the underlying tone of the market is.

Not only were there the obvious after-shocks of Friday 13th, but then there was the news of the San Francisco earthquake which affected different sectors in various ways. Yesterday, the distraction was the so-called "double witching hour" expiry of futures and options.

Among blue chip issues, IBM eased $⅝ to $103⅞ and Philip Morris lost $⅛ to $44⅝.

Among individual issues, Groundwater Technology fell $6¼ to $24 on the over-the-counter market after the company forecast that its latest earnings per share could be down 20 per cent from a year earlier.

Canada

QUIET trading left Toronto stocks lower at midsession, with the composite index off 25 points at 3,945. Declining issues were slightly in the lead over advances.

The mining sector led declines with a 1.9 per cent fall on the sub-index. Alcan lost C$⅝ to C$25⅝ and Inco eased C$⅝ to C$36⅛.

SOUTH AFRICA

A DECLINE in the bullion price prompted some selling of gold shares in Johannesburg in thin trading. Vaal Reefs fell back R7.50 to R306.50.

Japanese manage to shrug off world's high anxiety

Stefan Wagstyl explains why Tokyo remained relatively unflappable this week, and looks at the return of stock-picking

BEFORE October 1987, the idea of relying on Japanese fund managers to support confidence in world stock markets would have been laughed out of court by many western pundits.

But in this month's mini-crisis, few people thought it strange that investors in the jittery US and European markets should look to the east to help steady their nerves after the plunge on Wall Street on Friday, October 13.

Japanese fund managers did not disappoint them. The 647.33-point fall in the Nikkei index on Monday was the largest this year. But it was the equivalent of a decline of only 1.8 per cent – small enough to give investors on Wall Street fresh heart.

In turn, this prompted a rebound in Tokyo on Tuesday which almost wiped out Monday's losses. By the end of the week, steady gains had brought the Nikkei index back above 35,500 – close to a record.

Sanwa Bank was yesterday confident enough of the market's strength to announce a share issue of Y828bn (almost $6bn) – the largest ever made.

The most important conclusion is that Japanese equity prices seem pretty stable at current levels. It speaks volumes for the market's resilience that a 7 per cent drop on Wall Street produced a decline of less than 2 per cent in Tokyo, while London reacted with an initial fall of nearly 10 per cent and some other markets, including Frankfurt, fell even more.

One reason for Tokyo's relative stability was that, unlike Wall Street, Japan has seen flat prices for the past six months, so there was little need for a correction. The gain in Tokyo stock prices since the beginning of the year is well below the advances recorded elsewhere – in local currency terms, Japan has risen about 17 per cent, against about 25 per cent for the US and more than 20 per cent for the UK.

In dollar terms, Japan has lagged even further behind – with a gain of about 4 per cent, against an advance of almost 25 per cent in New York and of more than 10 per cent in London.

As a result, a lot of the passion has gone out of the market. Mr Ron Napier, research manager of Salomon Brothers in Tokyo, said in a recent report: "The market has shifted from a high-volume, short-term trading focus to a lower-volume, longer-term investment focus."

This latter approach is not new, writes Mr Napier, but it was obscured in recent years by the heavy short-term trading that attracted so much attention.

There is little sign that investors will snap out of this mood. The Japanese economy continues to grow at a rate of about 5 per cent a year – strong by the standards of other industrialised countries – but it is now in its third year of expansion.

Companies are trying to cope with labour shortages by a record surge in capital investment. But after two years of rapid profits growth, the gain in the current year is likely to be smaller. The research arm of Nomura Securities estimates that annual pre-tax profits of 400 leading companies will rise in the year to March 1990 by about 13 per cent, against a 20.4 per cent increase last year and 26.9 per cent in 1987.

Nevertheless, if there is no longer much short-term potential for general profits growth, the economy is still healthy enough for many individual companies to prosper. Investors' current favourites include groups that are heavily influenced by changes in interest rates and have been unpopular for most of the year because of a rise in rates. Real estate companies, property developers and financial groups are now back in demand, in anticipation of a future fall in interest rates.

The Bank of Japan eased rates early this week to reassure investors in the equity markets. But the impetus for a sustained reduction in rates would come from the US, where the Federal Reserve would allow rates to fall if, as expected, economic growth were to slow.

Stock-picking is back in fashion. Japanese fund managers, who spent much of the bull market backing top-line, large-capital stocks, are now more interested in hunting for bargains among small companies.

Mr Andrew Smithers, of Warburg Securities, argues that this is as it should be. In a recent report, he says the exceptionally high gains on the Tokyo stock market in the last decade can be put down to one key factor – Japan's one-off shift from being a capital importer to a capital exporter in the early 1980s.

The significance of this change is that a capital importing country needs to offer expected real returns that are above world rates, to compensate capital exporters for the risk of investing overseas. By contrast, a capital exporting country can live with lower returns, as the risks are reversed.

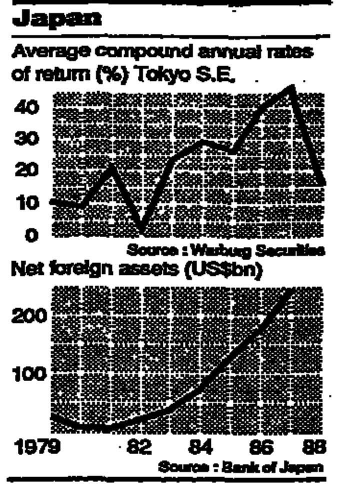
At the same time, real bond yields have been declining worldwide, additionally enhancing the total returns from both bond and equity markets.

So investors should not expect to see further gains like the 21.2 per cent a year experienced in the 10 years to 1988. "It seems likely that returns from the Japanese equity market will revert to a more normal basis, which, *in the light of past results and current bond yields,* might be of the order of 8 to 11 per cent," he says.

The argument is elegantly simple. It would have been even more compelling had the report contained some comparisons with the performance of the New York stock market when the US ceased to be a capital importer for the first time. Also, now that the US is importing capital once more, does it follow that Americans will be rewarded with a Japanese-style boom, if they ever succeed in eliminating their twin deficits?

Japan

Average compound annual rates of return (%) Tokyo S.E.



EUROPE

Companies under microscope after week of turmoil

ANOMALIES, inevitable after a week of turmoil in Continental markets, were the focus of some attention yesterday, *writes Our Markets Staff.*

FRANKFURT closed lower in thin trade. The FAZ decline of 0.19 to 640.25 in mid-session opened out to 2.38 to 1,524.21 in the DAX at the close, the indices ending the week with falls of 4.7, and 4.1 per cent respectively.

Chemical stocks, ignored earlier in the month, rose against the trend with Hoechst up DM3.40 at DM277.90. BMW, a relatively poor performer in motors in the past few days, advanced DM3.50 to DM556.

In retailing, Asko recouped some of Thursday's heavy losses after it once again denied any falsification of its books. *Deutsche Bank also disputed charges that it had managed share offerings for Asko without auditing its finances sufficiently well.* Asko shares, down DM62 on Thursday, recovered DM10 to DM775.

Speculative stocks included Feldmühle Nobel, up DM17 to DM550 on an assortment of rumours, and the tyre manufacturer, Continental, up DM2 to DM334.50.

PARIS had a quieter, weaker day as investors stopped to question how much headroom was left in some of this week's most speculative shares. The OMF 50 index was 3.11 lower at 515.06, a loss of 3 per cent on the week, and the CAC 40 index closed 10.73 down at 1,864.32.

Volume, which hit a record of FFr5.9bn on Tuesday, was estimated to be back at a more normal FFr3bn. After such a hectic week, and with the monthly account ending on *Monday, investors appeared* reluctant to commit themselves to new positions.

Navigation Mixte was still actively traded, rising FFr50 to FFr1,800, but Paribas, which has been raising its stake in Mixte, was just FFr5 higher at FFr640, while Perrier, which had shot up 16 per cent in two days on takeover speculation, shed FFr81 to FFr1,950.

Scoa, the loss-making trading company, fell FFr7 to FFr56.90 after Thursday's news of a big restructuring (with Lonrho taking a stake), and a FFr1bn capital raising. Fromageries Bel, the cheese maker, lost FFr170 to FFr2,670 after disappointing first half results.

MILAN shed 4.7 per cent on the week, and gained 4.11 points on the day as the Comit index closed at 653.47. Volume fell by about a third, to between L150bn and L180bn.

Yesterday marked the last day of protective measures *instituted on Monday by the* stock market regulating body, Consob, in the wake of Wall Street's Friday 13th plunge.

ZURICH came in quietly, the Credit Suisse index easing 0.8 to 632.2 in low volume as an otherwise busy and volatile week ended 3.2 per cent lower on balance.

In chemicals, Sandoz fell SFr375 to SFr12,125. On Thursday, the authorities announced a new investigation into a fire and chemical spill at a Sandoz plant in 1986 in Basle, Switzerland. Yesterday, brokers James Capel marked it out for short term underperformance after discussing a potential Japanese rival to its No 1 product, a drug called Sandimmune.

AMSTERDAM closed the week on a subdued note, worried by the renewed doubts over the United Airlines buy-out in the US and by a downturn in the UK market. After sharp rallies on Wednesday and Thursday, there was also some profit-taking.

The CBS tendency index was down 1.1 at 187.5, or 2.7 per cent below the previous Friday and volume was estimated at a moderate Fl 700m.

MADRID gained further ground, helped by rises in the heavily weighted banking sector. The general index rose 4.6 to 314.9, ending the week 2.3 per cent lower.

Mapfre, the insurance group, was up 400 points at 10,000 per cent of par. There was news that it had bought a 10 per cent stake in a French insurance company, L'Etoile Commerciale, but the stock was also recovering from a steep fall on Monday when foreigners pulled out of quality blue chips.

STOCKHOLM responded to Ericsson's order to supply AXE digital exchanges to Southwestern Bell of the US. The Affärsvärlden General index added 4.5 to 1,276.7, a fall of 2.2 per cent since the previous Friday.

Ericsson free B shares gained SKr36 to SKr840 after rising SKr25 on Thursday, in anticipation.

Saab restricted A shares closed SKr5 lower at SKr262 before announcing eight-month pre-tax profits down almost 50 per cent at SKr1bn.

COPENHAGEN attracted foreign interest, particularly from Scandinavia, which pushed the bourse index up 7.47, or 2.2 per cent, to 342.08. A rise in freight prices and prospects of good results boosted shipping stocks.

OSLO absorbed some profit-taking to close higher in active turnover. The all-share index added 1.97 to 505.97 in trading worth NKr410m.

BRUSSELS finished slightly higher, as the cash market index gained 57.57 to 6,555.74 but the forward market index fell a little.

HELSINKI edged down, although news of a rise of 1 percentage point rise in base rates had little effect. The Unitas all-share index eased 0.4 to 673.2.

ASIA PACIFIC

Nikkei extends gains as confidence grows

Tokyo

RESILIENCE on Wall Street *and stability in currency* markets gave a further boost to investor confidence yesterday, and share prices climbed in bullish trading to end a remarkable week 1 per cent higher, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average closed 112.16 up at 35,486.38 after a gain of 170 in early trading. The day's high was 35,611.38, and the low 35,418.59. Advances led declines by 572 to 368 while 181 issues were unchanged.

Turnover surged to 1bn from the 862m traded on Thursday. The Topix index of all listed shares added 14.06 to 2,679.72 and, in London, the ISE/Nikkei 50 index rose 7.60 to 2,072.53.

Market sentiment in Tokyo has improved considerably in the past week, according to Mr Takashi Morita at Sanyo Securities. A growing conviction that the US will continue its easier monetary stance, and the lower-than-expected rise in the US consumer price index, have been an added encouragement.

Companies serving consumer aspirations, such as better housing, have benefited. In addition, those with real *estate, such as* railways, have enjoyed particular success, with four issues in the list of top-10 actives.

Tokyu Corp rose Y100 to Y2,370 in its fifth consecutive rise. Tokyu again topped the most actives list yesterday, with 58.8m shares. The popularity of Tokyu companies reflected stakeholding speculation, Tokyu Land *coming* second in volume with 32.3m shares. Odakyu Electric Railways was third with 27.9m shares, adding Y30 to Y1,950. Tobu Rail firmed Y40 to Y1,690.

The Tokyo Stock Exchange began trading stock index options based on the Topix index yesterday, thereby completing the introduction of a full range of stock trading instruments in the Japanese markets. The Osaka Stock Exchange had introduced options based on the OSE-225 index in June, a move followed by the Nagoya Stock Exchange last week. Although trading in TSE options made a firm start, it was said to have distracted attention from arbitrage between cash and futures.

Buying of issues rising on strong domestic demand led to a strong performance in Osaka. The OSE average surged 331.23 to 36,564.99. Volume advanced to 90m shares from the 83m traded on Thursday.

Roundup

A TOUCH of irony marked share trading in the Pacific Basin yesterday as share prices rose all round – expect for in Seoul, which, a week ago, was bravely rising in spite of the New York crash.

AUSTRALIA saw another decline in volume as the All Ordinaries index rose 17.9 to 1,673.9 for a 3.9 per cent fall on the week. Turnover was 102m shares valued at A$188m.

Qintex Australia, the failed bidder for MGM/UA Communications of the US, fell another 2 cents to 33 cents, down from about A$1.50 in March. In Beverly Hills yesterday, its US associate, Quintex Entertainment, filed for protection under *Chapter 11 of the* Federal Bankruptcy Code.

HONG KONG turnover recovered from HK$750m to a still-moderate HK$1bn. Banking shares posted the sharpest advances. The Hang Seng index rose 40.58 to 2,708.95, 2.8 per cent down on the week.

SINGAPORE experienced a spate of bargain-hunting, which lifted the Straits Times Industrial index 8.48 to 1,345.60, 5.8 per cent lower on the week.

TAIWAN extended its gains before weakening near the close, partly on reports that South Korea will establish diplomatic ties with China. The index rose 69.54 to 10,161.99, 1.1 per cent lower on the week.

MANILA finished higher as investors positioned themselves for a Philippine fund listing in the US next month. Buyers overcame profit-takers, purchasing heavily into commercial stocks, where managers of the First Philippine Fund are expected to place $60m next month. The composite index rose 45.76 to 1,259.94, a week's fall of 2.2 per cent.

SEOUL, which beat the world with a modest rise last Saturday morning, fell moderately for the third straight day *in extremely quiet trading.* Volume was 5.9m shares and 136bn won. The composite index fell 6.25 to 903.29, 2.3 per cent lower over the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 19 1989						WEDNESDAY OCTOBER 18 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	148.75	+2.4	138.36	127.23	+1.5	5.19	145.21	135.53	125.37	160.41	128.28	149.70
Austria (19)	163.64	−0.8	152.21	157.30	−0.8	1.55	164.59	153.62	158.55	172.22	92.84	94.35
Belgium (63)	141.94	+1.0	132.02	136.69	+1.0	4.05	140.56	131.19	135.36	144.49	125.58	127.23
Canada (122)	151.30	+0.9	140.72	128.62	+0.9	3.19	149.88	139.88	127.41	154.17	124.67	125.42
Denmark (36)	205.34	+2.8	190.98	201.01	+2.5	1.58	199.75	186.43	196.15	219.89	165.35	141.37
Finland (26)	124.97	−0.1	116.24	111.31	−0.3	2.54	125.09	116.75	111.68	159.16	123.12	121.63
France (126)	135.73	+2.4	126.24	133.87	+2.2	2.81	132.60	123.76	130.94	139.94	112.57	103.89
West Germany (97)	98.16	+1.5	91.30	94.51	+1.4	2.17	96.74	90.29	93.22	103.84	79.56	84.40
Hong Kong (48)	112.26	+1.2	104.41	112.54	+1.2	5.02	110.89	103.50	111.18	140.33	86.41	105.76
Ireland (17)	162.70	+0.9	151.32	159.31	+0.9	2.78	161.26	150.51	157.96	166.69	125.00	141.65
Italy (97)	88.71	+0.5	82.51	90.37	+0.4	2.53	88.29	82.41	90.01	96.73	74.97	83.82
Japan (455)	185.61	+0.7	172.64	166.54	+0.9	0.48	184.29	172.01	165.01	200.11	164.22	168.45
Malaysia (36)	198.66	+2.9	184.77	205.81	+2.7	2.58	193.12	180.25	200.37	209.22	143.35	136.93
Mexico (13)	308.11	+0.3	286.57	880.23	+0.3	0.59	307.30	286.82	877.94	326.61	153.32	156.45
Netherland (43)	129.57	+1.8	120.52	123.66	+1.7	4.29	127.33	118.84	121.61	131.72	110.63	108.31
New Zealand (19)	78.90	+1.5	73.38	70.55	+0.8	5.00	77.72	72.54	69.97	88.18	62.64	72.24
Norway (24)	177.68	+3.0	165.26	166.47	+2.7	1.56	172.56	161.06	162.08	198.39	139.92	118.21
Singapore (26)	159.56	+2.2	148.41	143.76	+2.2	2.06	156.06	145.66	140.67	170.62	124.57	120.20
South Africa (60)	145.82	+1.7	135.63	124.76	+1.8	4.57	143.43	133.87	122.53	160.24	115.35	110.71
Spain (43)	159.96	+1.2	148.78	142.87	+1.0	3.66	157.99	147.46	141.47	169.75	143.14	147.53
Sweden (35)	180.65	+2.2	168.02	171.76	+2.0	2.00	176.68	164.90	168.37	188.94	138.45	128.18
Switzerland (64)	89.44	+3.2	83.19	90.03	+3.0	2.10	86.68	80.90	87.38	94.16	67.81	82.45
United Kingdom (306)	142.64	+1.3	132.67	132.67	+1.0	4.58	140.77	131.39	131.39	158.41	133.28	137.45
USA (547)	141.02	+1.6	131.16	141.02	+1.6	3.28	138.84	129.59	138.84	146.29	112.13	115.30
Europe (996)	125.92	+1.6	117.12	119.65	+1.3	3.51	123.99	115.73	118.07	132.95	112.63	112.69
Nordic (121)	168.48	+2.4	156.70	155.43	+2.1	1.83	164.57	153.60	152.23	178.38	137.95	121.32
Pacific Basin (669)	181.41	+0.8	168.73	162.91	+1.0	0.73	179.99	167.99	161.36	194.72	160.44	165.13
Euro – Pacific (1665)	159.31	+1.0	148.17	145.58	+1.1	1.62	157.68	147.17	144.03	166.98	141.56	144.19
North America (669)	141.53	+1.5	131.64	140.25	+1.5	3.27	139.40	130.11	138.14	146.66	112.79	115.83
Europe Ex. UK (690)	114.69	+1.7	106.67	111.51	+1.6	2.77	112.76	105.24	109.77	118.51	96.30	97.21
Pacific Ex. Japan (214)	130.98	+2.0	121.83	117.67	+1.5	4.81	128.36	119.81	115.96	140.05	111.93	125.15
World Ex. US (1860)	158.99	+1.0	147.88	145.05	+1.1	1.70	157.38	146.87	143.50	166.35	141.49	143.22
World Ex. UK (2101)	152.40	+1.2	141.74	144.71	+1.3	1.99	150.59	140.56	142.91	156.04	136.98	131.89
World Ex. So. Af. (2347)	151.54	+1.2	140.95	143.70	+1.2	2.20	149.74	139.75	141.95	155.92	136.67	132.50
World Ex. Japan (1952)	135.43	+1.6	125.96	131.93	+1.5	3.43	133.35	124.46	130.04	140.43	114.51	115.10
The World Index (2407)	151.50	+1.2	140.91	143.57	+1.2	2.21	149.70	139.72	141.82	155.89	136.68	132.37

Latest prices were unavailable for this edition.

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

Corporation and County Stocks No. of bargains included 4

Greater London Council 6¾% Stk 90/92 - £86

Birmingham Corp 3% Stk 1947(or after) - £22 (13Oc89)

Birmingham District Council 11½% Red Stk 2012 - £101½ (17Oc89)

Bristol(City of) 11½% Red Stk 2008 - £106¾ (17Oc89)

UK Public Boards No. of bargains included 2

Commonwealth-Government No. of bargains included nil

Foreign Stocks, Bonds, etc-(coupons payable in London) No. of bargains included 60

Sterling Issues by Overseas Borrowers No. of bargains included 32

Asian Development Bank 10¼% Ln Stk 2009(Reg) - £97¾ 8

Australia(Commonwealth of) 9¾% Ln Stk 2012(Reg) - £89¾ (18Oc89)

11¾% Ln Stk 2015(Reg) - £104¾♦

Caisse Centrale De Cooperation Econ 12¼% Gtd Ln Stk 2013(Reg) - £114¾

Banks and Discount Companies No. of bargains included 1085

Breweries and Distilleries No. of bargains included 432

Registered Housing Associations No. of bargains included nil

Commercial, Industrial, etc No. of bargains included 11434

Financial Trusts, Land, etc No. of bargains included 402

Insurance No. of bargains included 654

Investment Trusts No. of bargains included 717

Unit Trusts No. of bargains included 19

Mines - Miscellaneous No. of bargains included 172

Mines - South African No. of bargains included 34

Oil No. of bargains included 844

Property No. of bargains included 501

Plantations No. of bargains included 3

Shipping No. of bargains included 212

Utilities No. of bargains included 13

Water Works No. of bargains included 5

Miscellaneous Warrants No. of bargains included nil

USM Appendix No. of bargains included 810

The Third Market Appendix No. of bargains included 17

Rule 535(2) No. of bargains included 11

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Uncertain end to a difficult week

A TURBULENT if finally somewhat subdued trading week on the London stock market closed last night with the equity sector in an uncertain mood as it braced itself for its next test of confidence. Tuesday brings details of UK trade figures for September, a prospect which has revived worries over sterling and domestic interest rates damped down by the setback on Wall Street.

Although turnover yesterday was very thin, indeed almost too thin to allow identification of any trend in the market, there were signs that UK securities houses had leaned further towards the bearish view. The Seaq screens yesterday morning disclosed a large number of profits downgradings by BZW, which said that its analysts had been re-rating companies since the latest hike in domestic interest rates and "a rash of them came through this week".

Account Dealing Dates

First Dealings:	Oct 2	Oct 16	Oct 30
Option Declarations:	Oct 12	Oct 26	Nov 9
Last Dealings:	Oct 13	Oct 27	Nov 10
Account Day:	Oct 23	Nov 6	Nov 20

*New time dealings may take place from 9.00 am two business days earlier

The market pendulum swung back towards the domestic scene with the overnight advance on Wall Street bringing no benefit for UK equities. The City of London, assuming that Mr Lawson, the UK Chancellor, had an inkling of next week's trade figures when he addressed the Mansion House Dinner on Thursday night, noted his warning that interest rates "will have to remain high for some time".

Equities opened lower and remained in minus territory throughout the day. With Wall Street, too, looking unsure in early trading, the UK market closed without much recovery from an early fall of 12 Footsie points.

At its final reading of 2,179.1, the FT-SE Index was a net 10.2 points down on the day. Over the week its has fallen by 2.4 per cent, or 54.8 points, essentially in reaction to the heavy setback on Wall Street which began on the previous Friday evening after UK traders had gone home for the weekend.

Most of the damage was done on Monday when the Footsie Index was 200 points off at its worst moment. However, it has since become clear that UK traders and institutions bought heavily into equities on Monday when the Index was down to the 2,029 area.

This had two significant effects on the market over the rest of the week. First, many funds with sizeable profits on equities this year already consolidated their gains despite this week's fall in the market; and by emptying market makers' trading books, investors have created a severe stock shortage which has benefited share prices.

Much of this was academic in yesterday's market where turnover was agonisingly low. Seaq volume of 351.3m shares compared with 382.9m on Thursday.

The return to poor trading volume has inevitably revived concerns about the viability of securities trading firms in London's now overcrowded equity market.

Investors take Refuge

The life assurance sector took another step up with speculators driving the shares of potential bid targets sharply higher. Refuge Assurance posted the biggest gain in the sector amid reports that Athena, the third-largest private insurer in France, had been back in the market to top up its stake, revealed on Monday at 8.94 per cent. A move to at least 10 per cent by Athena, the only remaining independent insurer in France, was regarded by observers as having been highly likely.

As one analyst said of yesterday's price performance: "A rise of 47 to a 1989 peak of 648p obviously indicates big interest and the company has now got to be viewed as a bid target." He reckoned that any serious attempt at a takeover "would have to start at a figure of at least 700p and probably 750p."

It was pointed out that Athena, owned by Pechelbronn, the main holding company of the Worms family, may itself be vulnerable to a hostile takeover. "The European insurance business is in ferment at the moment; the best is yet to come," the analyst added.

Britannic Assurance has a 7.2 per cent stake in Refuge, and rose 23 to 540p – again a year's high. Refuge holds a 10 per cent stake in Britannic. *London & Manchester*, another of the life assurers, and where Britannic has a 7.1 per cent stake, firmed 10 to 315p.

Airways shock

The market was caught unawares by formal confirmation that British Airways had washed its hands of the plan to buy into United Airlines, the US carrier.

"A bit of a shock," said one analyst. "I wish I knew what was going on," said another. They had been under the impression BA was to renegotiate the deal. "What do BA find unattractive about the deal at this price that they found attractive at the $300-a-share offer price?" asked one analyst. Shares in UAL, United's parent company, fell $23⅞ to $165⅞ on Wall Street early yesterday.

BA shares strengthened when the news was announced: "It does wonders for the balance sheet," explained one analyst. The company's £220m rights issue of convertible capital bonds, launched as part of the plans and which was completed yesterday, halves BA's gearing to 50 per cent.

Mr Tim Coombs, analyst at County NatWest WoodMac, added that it was important that the marketing agreement between the two airlines was intact.

However, investors and dealers grew more cautious as the ambivalent reaction of analysts became more widely known. The shares gave up an early advance of 5 to close a penny lower on the day at 197p. Trade was busy, with 8.2m shares changing hands.

Oil trio ablaze

The Burmah/Calor/Premier trio saw their shares rise in a burst of speculative activity after it was revealed that SHV, the privately-owned Dutch group, had increased its stake in Burmah from 6.2 per cent to 7.5 per cent, leading to further stories of imminent takeover activity involving the four companies.

The link between three UK oil companies and SHV comes via a series of crossholdings between all four. While not unexpected, the SHV move came quickly and decisively and only days after it had lifted the holding to 6.7 per cent. Announcing the increased stake, Burmah said: "No discussions are taking place with SHV and no deal of any nature is in contemplation."

The market has given a good airing in recent weeks to stories that SHV is encouraging Burmah to bid for Calor and would be prepared to sell its 44 per cent stake in Calor (recently increased from 42 per cent) to Burmah in exchange for a sizeable stake in a merged Burmah/Calor group. Other variations on this theme have involved Burmah placing its stake in Premier in order to help finance a bid for Calor. Additionally, SHV has a near 4 per cent stake in Premier.

Sector specialists said the swift move by SHV indicated that further activity involving the three UK groups would come sooner rather than later. "There has been keen interest from the US as well as the UK and the Continent and it seems something will happen very quickly," said one. Another, however, pointed out that after the SHV stake news "the arbs moved in hoping to make a quick killing, and they may yet be disappointed."

Burmah shares closed 27 higher at 666p, while Calor jumped 30 to 450p and Premier 9 to 108p.

The spate of broker recommendations to switch out of Shell left the shares 3 easier at 434p. Kleinwort Benson recommended that the few UK institutions that hold Royal Dutch should switch into Shell.

Legal & General, still responding to the 18 per cent rise in new business for the nine-month period, edged up 2 to 361p. Pearl, on the receiving end of a 605p a share bid from Australian Mutual Provident added 5 at 643p with dealers adamant that 650p a share would be the minimum take-out price for the company; "AMP won't up their offer until they see an independent valuation which is not expected until after the first closing date," an analyst said.

Composites provided plenty of interest, notably Royal Insurance, which firmed 10 more to 475p on good turnover of 2.4m much of it said to have been from US buyers.

Insurance brokers extended the strong recovery instigated by hopes of an early upturn in non-marine insurance rates. Lloyd Thompson were among the star performers, adding 18 at 245p. PWS jumped 8 to 51p in response to a buy note from BZW.

Kleinwort Benson edged up 2 to 351p, the shares being sustained by the current buying-in programme. But dealers pointed out that the programme ends on Wednesday.

Wellcome dipped sharply when a Japanese news agency said that a potential cure for Aids was to be revealed at a conference on Monday. The shares fell 20 in late trading before recovering slightly by the close to end 18 off at 590p. Nervous talk had first surfaced in the traded options market where put options were much in demand.

Analysts were unimpressed. "A load of nonsense; another classic late Friday afternoon bear raid," said Mr John Aldersley, analyst at Smith New Court. "It is of no significance," said Mr Jonathan de Pass of BZW. Both agreed that any new drug would join a list of about 50 potential Aids cures or treatments.

Continued speculation over the possible predatory intentions of a buyer of Vaux shares helped the price 5 better to 331p.

One of BZW's many profits downgradings yesterday was for Trusthouse Forte. Mr Peter Hillier of BZW leisure team trimmed his forecast for the current year – a 15 month period – from £305m to £283m. For the 12 months thereafter, the forecast is £285m instead of £317m. This should be compared with the 12 months to January 1990 number of £258m, said Mr Hillier.

"The outlook for the economy is not as good as it was three months ago," said Mr Hillier. "The hotel sector is looking vulnerable, companies are tightening up and provincial hotels could be increasingly competitive. Consumers are beginning to feel the pinch and may cut back on restaurant spending."

THF finished 10 down at 294p and was the second most active contract on the traded options market. The equivalent of almost 1.9m shares changed hands there, compared with 6.4m shares on the underlying market.

Dixons were knocked back again at the end of a see-saw week. Yesterday, analysts at BZW downgraded profits forecasts for the company from £65m to £50m for the current year, and from £65m to £45m for next. The shares slipped 3 to 110p.

Ranks Hovis McDougall edged higher as speculation continued as to the intentions of Sunningdale, the investment vehicle partly controlled by Sir James Goldsmith, which owns a 29.9 per cent stake. Since BAT shareholders agreed to a management proposal on Thursday to restructure, RHM has been boosted by talk that Sunningdale could launch a bid. RHM closed up 4 at 439p.

Food manufacturer Hazlewood fell back as BZW recommended a switch into food distributor Albert Fisher. Dealers also said speculation that Hazlewood might be involved in a bid had evaporated. Eyebrows had been raised after it emerged that Hazlewood had cancelled a presentation which had been scheduled for Thursday. Initially, traders assumed a takeover was in the offing, but by Friday the market began to doubt it. Hazlewood closed down 8 at 222p.

The outstanding performances in the electronics/telecoms areas came from the Racal "twins," with Telecom racing ahead to close 13 higher at 343p, after 344p, and Electronics finally 6 firmer at 227p.

The twins were said to have responded to the rally on Wall Street overnight and buy recommendations from brokers. Of these the most significant was from SG Warburg Securities. The Warburg electronics team labelled both issues as buys, describing Electronics as "undervalued" and taking the view that the shares "offer 20 per cent absolute performance from current levels."

The team added: "While the outstanding success of Telecom is widely appreciated, it is not yet fully reflected in the share price and the remaining Racal businesses are some of the most significantly undervalued assets in the London market."

Shares in Jaguar raced ahead shortly before the market closed on the news from Ford Motor that it had ended talks with Saab-Scania, the Swedish conglomerate, which were thought to have centred on Ford acquiring Saab's car division.

Some 5.4m shares were traded as Jaguar shares rose to close at 696p, a gain on the day of 19, with the market believing the move would strengthen Ford's resolve to acquire Jaguar once the Government's golden share in the company is lifted at the end of 1990. Ford confirmed earlier this week it was now holding a 10.4 per cent stake in Jaguar.

Mr Steve Reitman, analyst at UBS Phillips & Drew said: "We always believed Ford's interest in Saab in no way compromised their complete dedication to securing Jaguar. My guess is that the talks with Saab foundered on Ford's inability to achieve a majority holding in the Saab car division."

Kwik-Fit ended only a penny better closing at 141p as Continental the West German tyre car manufacturer announced it had upped its stake in the company from 10 per cent to 13.13 per cent.

The market took a dim view of British Aerospace, as speculation that the company planned to expand its capital base through a rights issue circulated in the market.

Mr Alasdair Stewart, analyst at Charterhouse Tilney, said: "I would guess with profits expectations scaled back after the interim results, the cash situation on the civil aircraft side of the company looks quite bad. I think it was this cash situation that sparked off the rumours." Shares closed down 7 at 568p.

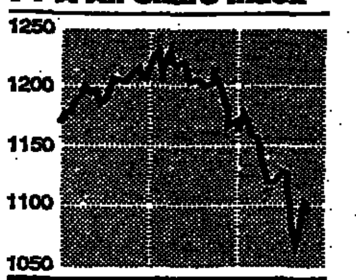
The threat of disruption at Rolls-Royce as the trade unions completed their ballot on industrial action in support of their claim for a 35 hour working week was said to have affected the market's view of the company. Shares eased back 3 to close at 189p. The market continued to take a poor view of Hawker Siddeley following Wednesday's interim results and the shares fell back a further 14 to close at 634p.

United Newspapers continued their advance on further talk of stakebuilding from Mr Conrad Black, the Canadian media entrepreneur. Dealers marked the price higher in thin trade to 453p.

Vickers hardened 2 to close at 232p as it was announced that IEP Holdings, controlled by Sir Ron Brierley, the New Zealand based businessman, had lifted its stake to 15.2 per cent.

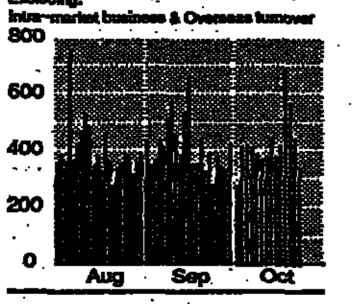
■ Other market statistics, including the FT-Actuaries Share Index Page 9

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (19). BRITISH FUNDS (1) [illegible] ... INSURANCE (4) Britannic, Lloyd Thompson, [illegible] ... [illegible]

NEW LOWS (13). [illegible]

RISES AND FALLS

	On Friday Rises	Falls	Same	On the week Rises	Falls	Same
British Funds	37	50	16	170	280	57
Corps. Dom. & Foreign Bonds	1	13	26	32	69	119
Industrials	505	307	784	3,173	2,408	2,403
Financial and Props	229	99	348	1,238	1,002	1,132
Oils	40	18	37	163	136	170
Plantations	1	4	6	6	12	37
Mines	57	28	86	240	244	379
Others	119	39	92	399	467	418
Totals	989	558	1,397	5,421	4,618	4,715

FINANCIAL TIMES STOCK INDICES

	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	84.69	84.70	84.66	84.78	85.27	89.06	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.74	93.20	93.40	93.37	93.77	97.75	98.69 (15/3)	93.20 (19/10)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1761.0	1772.1	1758.5	1730.7	1760.3	1509.3	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	197.3	193.2	190.6	192.5	184.9	170.2	215.2 (28/9)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2179.1	2189.3	2170.1	2135.5	2163.4	1859.3	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.66	4.63	4.66	4.72	4.65	4.60				
Earning Yld %(full)	11.24	11.16	11.22	11.35	11.18	11.56				
P/E Ratio(Net)(x)	10.74	10.82	10.76	10.64	10.78	10.47				
SEAQ Bargains(5pm)	19,280	20,915	22,524	39,529	57,410	28,291				
Equity Turnover(£m)†	-	795.00	1047.97	1339.86	1767.87	1120.80				
Equity Bargains†	-	20,703	24,836	44,468	40,916	28,699				
Shares Traded (ml)†	-	333.4	436.7	583.2	680.5	414.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. † Nil 10.86

Ordinary Share Index, Hourly changes — Day's High 1769.5 — Day's Low 1759.8

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1769.3	1764.1	1763.4	1765.3	1765.0	1765.5	1765.6	1763.3

FT-SE, Hourly changes — Day's High 2189.0 — Day's Low 2176.9

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2188.9	2180.3	2180.0	2182.8	2182.0	2182.7	2182.8	2180.7

GILT EDGED ACTIVITY

Indices	Oct 19	Oct 18
Gilt Edged Bargains	103.8	119.3
5-Day average	114.2	110.4

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the 5-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday October 19 1989

Agencies	+42.27	Mining Finance	+17.57
Motors	+34.28	Chemicals	+17.03
Health & Household Products	+33.48	Mechanical Engineering	+16.45
Insurance(Life)	+29.46	Transport	+16.03
Brewers and Distillers	+27.75	Capital Goods	+12.63
Food Retailing	+27.70	Banks	+12.47
Conglomerates	+26.85	Stores	+11.74
Investment Trusts	+26.44	Electricals	+10.86
Other Industrial Materials	+25.20	Financial Group	+10.56
Oil & Gas	+25.02	Insurance(Brokers)	+10.34
Other Groups	+24.31	Textiles	+9.34
Merchant Banks	+22.84	Telephone Networks	+9.15
Consumer Group	+21.12	Electronics	+8.92
500 Share Index	+20.35	*Building Materials*	+8.25
Insurance(Composite)	+19.80	Publishing & Printing	+6.73
Industrial Group	+19.67	Packaging & Paper	+1.34
Gold Mines Index	+19.33	Overseas Traders	+0.54
All Share Index	+18.73	Metals & Metal Forming	-0.51
Food Manufacturing	+18.35	Property	-3.00
Leisure	+17.63	Contracting,Construction	-5.60

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	104-21	+1/32	11.58	11.65	11.11
		8.750	1/96	95-07	+4/32	10.63	10.77	10.27
		9.000	10/08	94-13	-11/32	9.65	9.75	9.45
US TREASURY *		8.000	8/99	100-15	+8/32	7.92	8.04	8.10
		8.125	8/19	102-04	+11/32	7.94	8.04	8.11
JAPAN	No 111	4.800	6/98	95.6737	-0.082	5.33	5.43	5.33
	No 2	5.700	3/07	104.4742	+0.094	5.21	5.25	5.16
GERMANY		6.750	6/99	98.2000	+0.050	7.01	7.14	6.84
FRANCE	BTAN	8.000	7/94	95.3315	+0.023	9.24	9.40	8.86
	OAT	8.125	5/99	95.7100	+0.190	8.79	8.91	8.58
CANADA *		9.500	10/98	100.2500	+0.375	9.46	9.60	9.53
NETHERLANDS		7.250	7/99	98.8500	+0.200	7.41	7.53	7.20
AUSTRALIA		12.000	7/99	90.9583	-0.294	13.70	13.68	13.31

London closing, *denotes New York morning session
Yields: Local market standard — Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

COMMODITIES

WEEK IN THE MARKETS

Kneejerk reaction swiftly fades

THE LONDON Metal Exchange's base metal prices suffered a kneejerk reaction to the turmoil in the stock markets early on Monday as some investors sold to raise cash. But by the end of the day in London most had recovered a good part of their losses.

Among the losers, tin fared by far the worst by the end of the week. Aluminium bucked the trend, and cash metal closed yesterday at $1,865 a tonne, a rise of $22.50 on the week.

Crude oil and gasoil prices were also upset on Monday as the big commodity houses came in with sell orders aimed at improving liquidity.

Traders said the only precedent for the oil and oil product markets to be tracking movements in share prices was the 1987 crash.

There had been plenty of scope for a correction after the rally which had followed the Organisation of Petroleum Exporting Countries (Opec) last month, traders said. In the event, however, prices have not retreated very far.

The gold price reacted upwards, as expected, but it failed throughout the week to crack the psychologically important $370 an ounce level. Nevertheless, according to Mr Robert Weinberg, precious metals analyst with James Capel, gold has done its job again, just as in October 1987. "It maintained its value while everything else was plummeting." Yesterday it closed in London at $368 an ounce, a rise of $2.25 on the week.

Mr Weinberg, however, is still insistent that gold is on a general downtrend towards the $285 - $320 an ounce range. "I wish I could find excuses to be bullish about the gold price. Being bearish is bad for business."

Mr Jeffrey Nichols, of American Precious Metals Advisors, pointed out this week that investors in both Europe and North America had lost interest in gold in the face of low inflation, a strong dollar, and diminished economic and geopolitical anxieties.

"As a result, gold and the other precious metals have become desensitised to financial, economic and geopolitical events," he asserted.

The soft commodities were unaffected by the stock market reverberations, especially coffee and cocoa, currently at the lowest levels for years. As one dealer wryly commented on Monday, coffee was hardly likely to figure as a profitable commodity to liquidate in order to fund losses elsewhere. Ditto for cocoa.

Tin prices on the LME this week fell to the lowest levels since the contract was relaunched on June 1. The decline has been precipitated by heavy influential merchant selling.

Traders believe their power has frightened off other potential participants in the market. About 2,000 tonnes of tin was sold during official ring dealings on Wednesday – a large tonnage compared with the 5,000 tonnes in LME stocks.

Yesterday's closing cash price of $7,387.50 a tonne marked a fall of $407.50 on the week and compares with the $10,500 a tonne reached in the early days of the relaunched contract.

The fall came in spite of news from Bangkok earlier in the week that the nine members of the Association of Tin Producing Countries (ATPC) had agreed to extend export controls to December 1990. However, this has been interpreted in some quarters as an indication that the market is still vulnerable to oversupply.

Mr John Harris, analyst with Rudolf Wolff, suggested that the price was returning to a fundamentally sensible level after the climb earlier this year, which had been brought about by a short-term squeeze. He would be surprised to see the metal go below $7,500 a tonne.

The copper market once again lacked any real sense of direction, although fear of tight nearby supplies has widened the premium for cash metal to £29.50 a tonne from £16.50 on Monday. Cash metal closed at £1,834 a tonne yesterday, a fall of £55 on the week.

Market talk yesterday suggested that LME warehouse stocks could fall by at least 15,000 tonnes this week.

In the meantime, however, the dispute at Mexico's Cananea copper mine has ended, and workers at Canada's Highland Valley are expected to end their four-month dispute.

Aluminium prices have been driven up by the tightness of the physical market, with a possible squeeze in November around the options date.

The other star performer this week has been the freight futures contract on the Baltic Futures Exchange. The Baltic Freight Index, on which the contract is based, has jumped 99 points this week to 1,583 as rates for the key grain routes from the US have been increased. Futures prices have risen correspondingly, November adding 58 points over the week to 1,576.

David Blackwell

APPOINTMENTS

Bibby Line deputy chairman

■ **Sir Richard Baker Wilbraham** has been appointed deputy chairman of BIBBY LINE GROUP, Liverpool. He recently retired as a director of J. Henry Schroder Wagg & Co., and it is intended that he will take over the chairmanship when Sir Derek Bibby retires in June 1992.

■ **Mr Michael F. Harris**, vice president-advertising in New York for the *FINANCIAL TIMES*, has been promoted to executive vice president-North America, responsible for the newspaper's business in the US and Canada. A daily edition of the *FT* is printed in New York. The newspaper is owned by Pearson.

BRITISH SATELLITE BROADCASTING has appointed **Mr Hugh Williams** *(above)* as managing director of NOW - an information and arts channel. He is head of broadcasting, BBC North West.

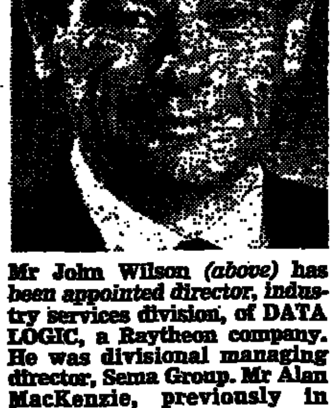
■ **Mr Eric Varley** has been appointed a non-executive director of CATHELCO, Chesterfield. He is chairman of the Coalite Group, and is a former Industry Secretary.

■ **Mr Reginald G. Eccles** has taken over as managing director of ORD MINNETT, London, following the retirement of **Mr Pat Gunning**. Mr Eccles was deputy managing director. The company is part of the Westpac Group.

■ **Mr John R. Tetlow** has been appointed secretary, NORTH WEST WATER GROUP, which is shortly to be privatised. He was group secretary, Tootal Group.

■ GRANADA TELEVISION has appointed **Mr Roy Watson** as financial controller of the facilities division, succeeding **Mr Kevan Taylor**, who becomes financial controller, production and distribution division. Mr Watson was commercial manager of the drama department.

C.I.T. (ENGLAND), which trades as Citalia, has appointed **Mr Tony Le Masurier** *(above)* as managing director and **Mr Michael Myers** as sales and marketing director. This follows the promotion of the former chairman, **Mr Stefano Della Pietra**, to managing director of the C.I.T. holding company. Citalia is a wholly-owned subsidiary of the Italian State Railways.

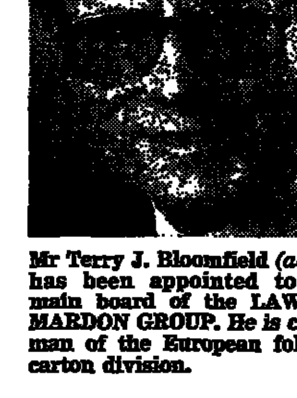


Mr John Wilson *(above)* has been appointed director, industry services division, of DATA LOGIC, a Raytheon company. He was divisional managing director, Sema Group. **Mr Alan MacKenzie**, previously in charge of the consultancy group, becomes manager, industry sector.

■ VENTURE PLANT GROUP has appointed **Mr James Anthony Whyte** as operations manager. He was managing director of Vine Plant.

■ RACAL-REDAC GROUP has appointed as directors **Dr Lutz Henckels**, North American operations; **Mr Takahiro Katoh**, Japanese operations; and **Mr Chris Sheldon**, corporate marketing.

■ NORTHERN RUBBER, a Tomkins company, has appointed **Mr Allan Capp** as manufacturing director. He was general works manager, United Kingdom Optical Company.



Mr Terry J. Bloomfield *(above)* has been appointed to the main board of the LAWSON MARDON GROUP. He is chairman of the European folding carton division.

■ **Mr Robert E. Baines** has been appointed director of European operations for ACTIVE MEDIA SERVICES INC, US, in its London office.

■ RELIANCE TANKERS, Runcorn, part of the Transport Development Group, has appointed **Mr Richard Zoltie** to the new post of finance director. He was finance manager at BLMC Engineering.

■ **Mr Arthur Fisher** has been appointed to the main board of the TREND GROUP, *newly-acquired subsidiary of* Telemetrix. He remains managing director of Trend Datalink.

■ SCOTTISH EQUITABLE *LIFE ASSURANCE SOCIETY* has appointed **Mr David Henderson**, general manager (services), as a director. **Mr Roy Patrick**, assistant general manager (secretary), is promoted to general manager (secretary).

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	95.51	95.51	59.37	+0.69	4.62
Gilts & Fixed Int	6	108.4	108.4xd	115.3	....	8.67
High Inc Equity	6	127.0	127.0xd	135.9	+0.60	4.67
Worldwide Bond	6	204.9	204.9	217.9	+2.20	4.86
Capital Growth						
American Growth	6	201.4	204.2	217.3	+4.90	0.87
Asian Pacific	6	114.20	116.9	124.4	+1.20	1.05
Assets & Earnings	6	150.4	150.4	160.9	+0.60	2.30
Capital Reserve Acc	0	87.29	87.29	87.37	-0.04	4.58
Capital Reserve Inc	0	77.49	77.49	77.56	-0.04	5.16
Comdty & Energy	6	107.6	107.6xd	115.1	-0.20	1.65
1992 Enterprise	6	57.46	57.46	61.46	+0.30	2.05
Euro Capital Acc	6	95.98	96.91	103.1	+1.60	0.73
Euro Capital Inc	6	92.45	93.50	99.47	+1.51	0.75
General	6	169.1	169.1	180.9	+0.80	2.76
International	6	54.91	55.80	59.37	+0.94	0.84
Japan	6	122.6	124.0xd	132.0	+1.20	0.00
Mastertrust	6	90.37	90.37	96.66	+0.97	1.76
UK Growth Acc	6	180.0	180.0xd	192.6	+1.90	1.45
UK Growth Dist	6	116.3	116.3xd	124.4	....	2.25
US Emerging Cos	6	54.09	55.74xd	59.30	....	0.00
Income & Growth	6	283.6	283.6	303.4	....	3.38

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ψ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

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	Init. Chrge.	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						
Australasian Gold	5	16.02	16.02	17.04	+0.30	0.60
Pacific Basin	5	30.51	30.51	32.45	+0.70	0.60
Can Balanced Gwth	5	51.38	51.38	54.65	+1.31	5.28
Giants Man	4	0.9728	0.9728	1.0165	[illegible]	7.70
Penny Share	5¼	27.85	27.85	29.62	+0.50	0.34
Wellington Fund Mngrs Ltd (1200)F						
2, London Bridge, SE1 01-407 4404						
Wellington Income	6¼	132.5	134.3	142.6	+0.6	5.23
Wellington Growth	5¼	218.1	220.1	234.1	+3.8	1.31
Wessex Asset Management (1330)F						
1 Richmond Hill, Bournemouth BH2 6HW 0202 299492						
Wessex UK Gwth	4½	105.6	109.5	114.0	−0.3	3.85
Whittingdale Unit Tst Mgmt Ltd						
2 Honey Lane, London EC2V 8BT 01-606 3132						
Challenger	2¼	60.18	60.18	61.73	+0.33	0.27
Short Dtd Gilt	1½	81.37	81.37	82.40	+0.02	6.99
U.S. Govmt Bond	1¼	0.5730	.5730	.5905	[illegible]	0.00
Wilfred Financial Services Ltd (0905)F						
PO Box 515 Austin Friars, London EC2 01-588 7511						
Aust Friars W'wide	5	187.7	190.7	202.8	—	2.60
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Combd & Equity	5	58.16	61.56	65.48	+0.69	7.24
European	5	73.59	73.94	78.66	+0.99	0.10
Far Eastern	5	64.75	68.01	72.35	+1.24	0.61
Growth Inc	5	77.20	80.67xd	85.81	+0.60	1.57
Growth Acc	5	77.27	80.74xd	85.89	+0.68	1.57
Income Inc	5	74.22	76.71xd	81.60	+0.38	5.21
Income Acc	5	74.32	76.81xd	81.70	+0.53	5.20
Property Share	5	47.88	47.88	51.03	+0.53	1.11
Smaller Co's	5	49.45	49.45xd	52.71	+1.06	1.80
Nth American	5	64.24	64.24	68.70	+1.84	1.60
International	5	49.40	49.40	52.83	+1.04	1.41
Asset Value	5	154.51	154.51	165.24	+0.87	4.43
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Int'l Growth	5	109.58	109.58	115.05	—	4.08
UK Growth	5	90.01	90.01	94.74	—	3.17
UK Income	5	93.33	93.33	98.24	—	4.58
Weekly dealing day Thursday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602290						

OTHER UK UNIT TRUSTS

INSURANCES

	Bid Price	Offer Price	+ or −	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
European Fd Acc(z)	265.7	279.6	+5.0	—
Intl Fxd Int Fd Acc(z)	209.5	220.5	−0.4	—
Fixed Int Acc(z)	346.8	365.0	−0.2	—
Gtd Money Fd Acc(z)	241.3	253.9	—	—
High Income Fd Acc(z)	114.1	120.2	+0.2	—
Intl Man Fd Acc(z)	426.2	448.6	+2.3	—
Japan Fd(z)	313.5	329.9	+2.7	—
UK Smllr Co's Fd Acc(z)	112.2	118.0	+3.0	—
European Metro	118.7	124.9	+0.6	—
Global Metro	107.3	112.9	+1.9	—
Sunrise Metro	123.0	129.5	+1.4	—
UK Metro	107.6	113.2	+1.1	—
Nth American Fd Acc(z)	211.5	222.6	+4.8	—
Pac Basin Fd Acc(z)	159.9	168.3	+1.6	—
Prop Fd Acc(z)	352.6	371.2	+0.1	—
Millennium	95.2	100.1	+0.7	—
Multiple Inv Acc(z)	324.7	342.3	+0.7	—
Pension Funds				
Brit Blue Chip Acc(z)	149.8	157.6	+1.5	—
Eq Pen Fd Acc(z)	1958.8	2061.8	+19.6	—
Euro Fd Acc(z)	360.6	379.6	+9.8	—
Fixed Int. Acc.(z)	718.5	756.3	−0.2	—
Gt Money Pn Acc(z)	441.6	464.8	+0.2	—
High Interest	149.7	157.5	—	—
High Income Fd Acc(z)	120.1	126.3	+0.2	—
Intl Man Fd(z)	654.9	689.3	+11.0	—
Jap Pen Fd Acc(z)	449.3	472.9	+5.3	—
UK Smllr Co's Fd Acc(z)	116.5	122.6	+2.0	—
European Metro	130.9	137.7	+0.9	—
Global Metro	113.6	119.5	+2.8	—
Sunrise Metro	137.4	144.5	+2.1	—
UK Metro	114.0	120.0	+1.8	—
N Am Pn Fd Acc(z)	265.9	279.9	+8.5	—
Pac Basin Fd Acc(z)	190.7	200.7	+2.6	—
Property(z)	625.0	657.9	+0.1	—
Mtple Inv Pens Acc(z)	1450.8	1527.1	+15.6	—
Banker Funds				
Pref. Pen. Fd	96.5	101.5	+0.8	—
YRA Strategy	125.3	131.8	+1.4	—
YRA Performance	107.9	113.5	+0.8	—
Langham Dollar(SE)	140.8	148.2	+2.1	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc	268.1	282.3	+0.1	—
Equity Acc	869.6	915.4	+18.6	—
Property Acc	515.3	542.5	+0.1	—

Citibank British National
Crusader Insurance Plc
Assicurazioni GENERALI SpA
Irish Life Assurance Co Plc—Contd.
MGM Assurance(z)
NEL Britannia Assce Co Ltd—Contd.

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37–39, Perrymount Road, Haywards Heath 0444 458721				
American	126.0	133.0	+1.0	–
Building Soc Fd	176.0	186.0	+1.0	
Balanced	279.0	294.0	+1.0	
European	190.0	200.0	+2.0	
GT Managed	187.0	197.0	+2.0	
Gartmore Mngd	127.0	134.0	+1.0	
German	144.0	152.0		
Gilt	176.0	186.0	-1.0	
Global	49.0	52.0		
High Inc.	108.0	114.0	-6.0	
International Equity	195.0	206.0	+1.0	
Japan	271.0	286.0	+1.0	
Managed	57.0	60.0		–
Property	294.0	310.0		–
R. W. Imperial Gold	148.0	156.0	-11.0	–
UK Equity	321.0	328.0	+1.0	
Pension Funds				
American	155.0	164.0	-8.0	
Building Soc Fd	179.0	189.0	+1.0	
Balanced	218.0	230.0	-5.0	
European	192.0	202.0	-6.0	
German	126.0	133.0	-3.0	
Gilt	153.0	162.0	-3.0	
International Equity	143.0	151.0	-5.0	
Japan	148.0	156.0	-1.0	
Managed	62.0	66.0		
Property	225.0	237.0		
UK Equity	306.0	323.0	+1.0	
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	92.84	98.15		–
Pensions Cash Fund	80.83	85.08		

[illegible]

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

[illegible]

MANAGEMENT SERVICES

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

IoM (SIB RECOGNISED)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

GUERNSEY (**)

[illegible]

JERSEY (**)

[illegible]

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	Yield Int.	Red.
100	98	Exch 10¼pcCv '89	100xd	–	–
101	99½	Treas 13pc 1990‡‡	99	13 06	14 36
132	124	Treas 2pc IL '90(84.6)	132	2.09	9 98
99	98	Exch 11pc 1990‡‡	99	11 11	13.84
101	99	Exch 12½pc 1990	99	12.58	14 08
95	91	Treas 3pc 1990	95xd	3 13	11 27
97	95	Treas 8¼pc 1987-90‡‡	96	8.52	13.43
98	95	Treas. 8pc Cv 1990 ‡‡	96	8.30	13.29
98	96	Treas 10pcCv 1990	96xd	10.31	13.29
93	87	Exch 2½pc 1990	92xd	2.70	9 73
101	98	Treas 11¼pc 1991	98	11 92	12.95
93	89	Funding 5¾pc '87-91‡‡	92	6.21	11 47
90	86	Treas. 3pc 1991	90xd	3.33	10.09
100	95	Treas 10pc Cv '91 ‡‡	96	10.38	12.40
102	96	Exch. 11pc 1991	97xd	11.26	12.31
94	91	Treas. 8pc 1991	92	8.69	12.31
106	100	Treas 12¾pc 1992‡‡	101	12.53	11 78
99	95	Treas 10pc 1992	96	10.39	11 85
94	90	Treas 8pc 1992 ‡‡	91	8 70	11 84
100	96	Treas 10½pc Cv 1992‡‡	97xd	10 77	11 69
85	82	Treas 3pc 1992	84	3.56	9 93
105	100	Exch 12¼pc '92	101	12 10	11 69
109	103	Exch 13½pc 1992	104	12.90	11.55
94	90	Treas 8¼pc 1993	91	9 03	11 40
100	95	Treas 10pc 1993‡‡	96	10.37	11.27
108	102	Treas 12½pc 1993‡‡	103	12.06	11.25
88	84	Funding 6pc 1993‡‡	86	6.91	10.17
113	107	Treas 13¾pc 1993‡‡	108xd	12.68	11 14
94	89	Treas. 8½pc 1994	91	9.33	11 15
117	111	Treas 14½pc 1994‡‡	112	12.95	10 97
113	107	Exch 13½pc 1994	108xd	12.47	11 11
100	95	Treas. 10pc Ln 1994‡‡	96	10.36	10 96
110	104	Exch 12½pc 1994	105	11 90	11.11

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS – Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39½	18¼	Gillette $1	28⅞	–⅛	96c	–	2.1
987p	601p	Gt American Bank Bk $1	635p	+18	20c	–	2.0
23⅞	16⅞	Greyhound $1½	19[illegible]	+⅜	$1.32	–	4.2
14⅞	847p	Hasbro Inc 50c	13¾	+⅞	16c	–	0.7
57½	32¼	Honeywell $1½	51[illegible]	+1⅝	$2.10	–	2.6
22⅞	15¼	Houston Inds.	21½	+¼	$2.96	–	8.7
76⅞	62⅞	IBM Corpn $1¼	65[illegible]	+1⅛	$4.84	–	4.7
60p	45p	Image Storage/R.Sys.1c	50p	.....	–	–	–
32⅛	18¾	Ingersoll-Rand $2	28⅞	+⅛	$1.20	–	2.6
33¼	22½	Lockheed Crpn. $1	28⅞	–½	$1.80	–	4.0
22⅞	15⅞	Lone Star Inds $1	18[illegible]	–⅛	$1.90	–	6.7
27⅞	17½	Louisiana Land 15c	24¼	.....	$1.00	–	2.6
20½	11½	Lowe's 50c	18⅞	–¼	48c	–	1.6
28⅞	15⅞	Manuf. Hanover $1	25⅛	+⅛	$3.28	–	8.1
22⅝	13⅞	Merrill Lynch $1	18⅛	+⅛	$1.00	–	3.5
2477p	1910p	Molex Inc	2409p	+40	3.2c	–	–
30⅞	18⅛	Morgan (JP) $2½	27[illegible]	–⅛	$1.66	–	3.9
28⅞	24⅛	Morris (Philip)	27⅞	+⅛	$1.13	–	2.6
54½	36⅛	NYNEX $1	50⅛	+1¼	$4.36	–	5.4
44p	20p	N'wide Legal Serv.	27p	.....	–	–	–
24⅞	18¼	PHH Corp.	22⅞	+¼	$1.12	–	3.1
259p	179p	Pacific Agr.	195p	.....	–	–	–
27¼	19	Pacificorp $3¼	25⅞	+⅛	$2.76	–	6.5
30⅛	16⅞	Pacific Telesis 10c	28⅞	+⅛	$1.88	–	4.2
22⅞	15⅛	Pall Corp. 25c	21¼	+⅛	48c	–	1.4
55⅛	39⅞	Pennzoil 83 1/3c	49⅞	+⅛	$3.00	–	3.8
42¼	28⅛	Quaker Oats $5	39⅞	+⅞	$1.20	–	1.9
32⅞	23½	Rep NY Corpn $5	29⅞	+½	$1.28	–	2.7
16	11⅞	Rockwell Intl. $1	14[illegible]	+⅞	78c	–	3.3
29½	22	Sears, Roebuck 75c	25⅞	+¼	$2.00	–	5.0
37½	21⅞	Southwestern Bell $1	35⅞	+⅛	$2.60	–	4.6
27⅞	17⅞	Sun Co. Inc. $1	25⅞	+⅞	$1.80	–	4.5
31⅛	22⅞	TRW Inc. 62½c	29⅞	+⅞	$1.72	–	3.7
[illegible]	[illegible]	TW Services $5	20⅛	+⅛	10c	–	0.3

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING – Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES – Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND – Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS – Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES – Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

11	3 Systems Connections 2½p. γ	3	......	–	–	–	3.9
50	28 Tavern Leis. 20p.... γ	41	+1	–	–	–	–
115	28 Tomorrows Leisure 20p γ	79	......	–	–	–	39.3
	For Tullow Oil see Oils & Gas						
113	60 UPL Group 10p...... γ	65	......	2.75	1.9	5.6	12.3
150	232 Ualt Group.......... γ	232	......	5.0	3.3	5.1	7.5
100	66 Video Magic Leis. 1p γ	82	......	W2.0	0.7	3.3	65.7
14	4½ Vista Ents 5p........ γ	6½	......	–	–	–	–
40	21 Vizcaya Hldgs 5p.. γ	25	......	–	–	–	–
46½	23 Whitegate Leisure 20p. γ	40½	+1	–	–	–	–
32½	10 Do. Wrrnts.......... γ	29	+4	–	–	–	–
10¼	5 Wilton Group 1p... γ	6	–¼	–	–	–	–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
♦ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♦ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	88xd	......
Craig & Rose £1.. γ	830	......
Finlay Pkg. 5p.... γ	67	......
Holt (Jos) 25p..... γ	1343xd	......

Arnotts..............	410	......
Carrol (P.J.)...... γ	148	–2
Hall (R. & H.)......	170	......
Helton Hldgs....... γ	90	+2
IRG....................	233	+8
United Drug.........	135	......

IRISH

Cap. 8½% Ln. 1991...	£97½	......
9pc Cap Ln. 1996..	£98¾	......
Fin. 13% 97/02...	£119	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	56
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	18
Unilever	46
Vickers	18
Wellcome	42

Property	
Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils	
Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	26

Mines	
Cons Gold	150
Lonrho	30
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

FINANCIAL TIMES
Weekend October 21/October 22 1989

Bond makes history with a £478m loss

By Chris Sherwell in Sydney

BOND CORPORATION, the master company in the beleaguered business empire of Mr Alan Bond, the Australian entrepreneur, yesterday reported an attributable loss of A$980m (£478m) for the year to June, the highest in Australian corporate history, but insisted that it remained solvent.

The figures, which are unaudited, were released along with the results of other listed Bond companies – Bell Resources, Bell Group and J.N. Taylor Holdings. All four faced possible suspension from trading on Monday after failing to meet the technical deadline of September 29.

Bond said its result reflected "dramatic changes induced by very different market conditions and several areas of particular difficulty."

In particular it mentioned the adverse impact of a "climate created by a series of unique occurrences and events."

The catalogue included Mr Tiny Rowland's attacks on the Bond group's "creditability" after Mr Bond launched a takeover assault on Lonrho, and the Australian Broadcasting Tribunal's inquiry into whether Mr Bond was a "fit and proper" person to hold television and radio licences.

It also included the reverberations from Bond's help in the abortive rescue of Rothwells merchant bank, the collapse of its A$1.2bn petrochemical plant venture with the Western Australian state government and a costly indemnity given to the State Government Insurance Commission (SGIC) for Bell Group shares.

At the same time the National Companies and Securities Commission (NCSC), Australia's stock market watchdog, launched investigations into various Bond transactions, while lenders insisted on repayment of borrowings as interest rates rose.

The problems graphically illustrate the strains the group has faced over the past year, showing it made hefty provisions of A$485m on property transactions and share investments, included further provisions of A$172m for bad debts and deposits, and decided not to take advantage of A$453m worth of tax benefits.

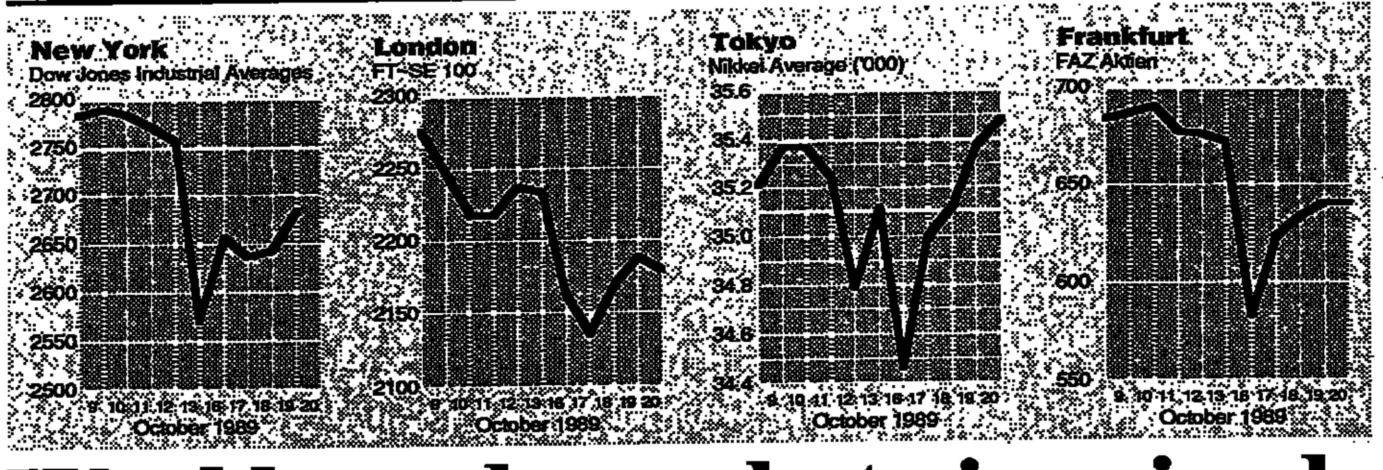
On the other hand it refused to make provisions against the value of its television licences, its investment in the petrochemical plant or the disputed SGIC indemnity.

The overall effect was to promise a better informed market in Bond Corporation shares, which have tumbled dramatically over recent months.

Of its current asset sales, Bond says it will complete its programme of rationalisation and consolidation "to arrive at a position of proper balance between viable operations with growth potential and a serviceable level of gearing."

The directors, it insists, "will take, as they already have done, whatever difficult but necessary decisions must be taken to enable the re-establishment of the good standing" of the group.

Details, Page 10



World stock markets in mixed mood at end of critical week

By Patrick Harverson, Janet Bush and Alison Maitland

WORLD STOCK markets ended their most critical week since the crash of October 1987 in a mixed mood yesterday.

In New York, where the crisis started in the last hour of trading on Friday, October 13, the US stock market ended an extraordinarily volatile week on a quieter note. The Dow Jones Industrial Average was quoted 0.61 higher at 2,683.81 yesterday afternoon.

The recovery from the 190-point plunge on October 13 is not in doubt. However it has been difficult to discern this week the underlying mood of a market which has been swung violently by waves of programme trading, the reaction to the San Francisco earthquake and daily bulletins on the floundering UAL buy-out.

In Tokyo, where the Japanese Ministry of Finance played its traditionally calming role to great effect last Monday, the market actually ended the week 1 per cent higher as the Nikkei average reached 35,486.38.

Currencies ....Page 11
World stock markets ....Page 13
Markets ....Weekend FT Page II

The performance of London's shares on the week closely mirrored Wall Street. The FT-SE 100 Index finished the week 2.4 per cent lower at 2,179.1, a strong recovery from the week's low point. At one stage on Monday the FT-SE 100 was down more than 200 points, a fall of 9.1 per cent in the value of the Index.

However, the mood in London's trading rooms yesterday remained apprehensive during a quiet session ahead of UK current account data for September, due next week.

Tuesday's trade figures are expected to show a current account deficit of between £1.3bn and £1.6bn, a marked improvement on the near-£2bn deficits of July and August.

Analysts warned, however, that if the September figure was anywhere near £2bn, the financial markets would decide that sterling has to be devalued to repair the competitiveness of UK industry.

Another crisis of confidence in sterling could force the Government to raise interest rates to 16 per cent if intervention by the Bank of England failed to halt the currency's slide, analysts said.

The picture from stock markets elsewhere round the world was varied. The majority had recovered a substantial part of Monday's steep losses by the close yesterday but none managed to escape the repercussions of Wall Street's initial slide.

In Europe, Frankfurt, which led Monday's European falls with a 13 per cent drop, closed the week 4.7 per cent lower on the FAZ index. Milan was equally subdued but Zurich, Paris and Amsterdam fared better, ending about 3 per cent lower on the week.

Singapore was the worst affected market in the Asia Pacific region, down 5.8 per cent on the week after dropping 10 per cent on Monday. Australia closed 3.9 per cent below last Friday and Hong Kong only 2.8 per cent down.

Nationwide Anglia and GRE link for move into Europe

By David Lascelles, Banking Editor

THE Nationwide Anglia building society, the UK's second largest, is to form a partnership with the Guardian Royal Exchange insurance company, to make a combined assault on the UK financial services market and to expand into Europe.

The alliance is one of the most ambitious announced between a building society and an insurer. The two institutions have more than 1,000 outlets and 8m customers.

Mr Tim Melville-Ross, Nationwide Anglia's chief executive, said it was the result of many months of deliberation and would enable his society to extend both the scope and scale of its activities.

Mr Peter Dugdale, GRE's chief executive, said the two organisations, which had complementary products, would work together to exploit market opportunities. He described the possibilities as "absolutely infinite."

The partnership is to be cemented with the acquisition by GRE of a 29 per cent stake in Nationwide Anglia's estate agency subsidiary.

The price, which was not disclosed, will be linked to the subsidiary's performance. The investment will be made out of the GRE's life funds.

The two will also form a tie-up on the life insurance side, where Nationwide Anglia will become an agent for GRE policies. The two also foresee co-operation in the areas of unit trusts, endowment and general insurance, and the European market.

Mr Melville-Ross said his customers were becoming more international and that monetary union in Europe was bound to come eventually.

Mr John Wriglesworth, building societies analyst at UBS Phillips & Drew, said the alliance had considerable potential because of the scope for co-operation and the possibility of European joint ventures.

He also calculated the value of GRE's initial investment in the Nationwide Anglia estate agency business as £25m, which he described as "a huge commitment."

The alliance means that almost all the UK's largest building societies have partners in the insurance business, although few of them involve cross-investment.

THE LEX COLUMN

The calm after the storm

The week in London may have begun horribly, but there was a welcome feeling of returning calm by the end. The fluctuations became daily less violent, Friday's close being 16 points up on Monday's. Part of this has to do with suspended animation ahead of next week's trade figures. Much has happened in the four weeks since the last £2bn shocker; but while logic suggests that if the real economy is flat on its back imports must come down eventually, recent economic data have been too ambiguous for the markets to bet on it. Another £2bn number, certainly, and it is all up with sterling and equities for the time being.

If not, there is a case for regarding the market as coming into the buying range. This is not to say that equities are about to recover in a hurry. According to County NatWest's calculations, the return on the FT-SE at 2200 – the present figure being 2179 – is about equal to that on cash; and no one in Mr Lawson's audience on Thursday could doubt that a 15 per cent return on cash is secure for a while.

Some professional investors might therefore think that the range between 2000 and 2100 offers the appropriate risk premium. But as Nomura argues, suppose we are sitting there when a piece of good news comes along. With market makers too nervous to run large positions, it could then be impossible to get cash in at the lower level. What that good news might consist of is less easy to say. But it is at least plausible to argue that we have reached the point where the risk is upwards and down.

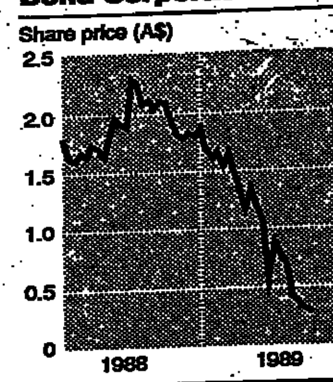
British Airways

The bid to take UAL private is turning into one of the biggest corporate fiascos for a very long time, and all the more embarrassing given the pedigrees of those involved. This was not a junk bond deal sponsored by an ambitious corporate raider and fringe investment bank, but a well-respected management team which had the backing of several of Wall Street's most prestigious financial institutions and the world's biggest international airline. Nobody has yet emerged with any credit.

BA appears to have done a complete U-turn over the last week: America's biggest commercial bank does not seem to know how to syndicate a loan; and Mr Marvin Davis's counter offer has vanished in a puff of smoke. BA insists that its withdrawal is not just a bargaining ploy. But if was prepared to do the deal at $300 a share, it has given no good reason why it would not contemplate a revised offer of $200 unless it really has lost its nerve.

FT Index fell 11.1 to 1761.0

Bond Corporation



Gilts

It appears that the Chancellor may be willing to use more than just the interest rate weapon after all. Although he has not yet abandoned his long-term opposition to overfunding, the formula Mr Lawson revealed at the Mansion House leaves more scope for tightening the screw this year than was immediately apparent. According to Greenwell Montagu, the decision to leave Treasury Bills out of the funding calculation makes a difference of between £1bn and £2bn per annum. Add in the £2.3bn which was spent before the end of September on foreign exchange intervention (and a good dollop more for October) and the Chancellor may not be buying any more gilts this year.

That ought to help reduce demand in an economy which on Thursday's statistics still seems remarkably robust. It should also, of course, drive down gilt prices; but on the other hand the Bank's attempt to make the gilt market more liquid will be welcome, not least to market makers. One must assume that the first conversion scheme announced yesterday, which was on a rather timid scale, was just the Bank's old-fashioned way of gently introducing innovations.

Bond Corporation

Since the auditors are already thinking of qualifying Mr Bond's belated accounts on five separate grounds, it is hard for a lay person to know where to start. But behind Bond Corporation's after-tax loss of close to A$1bn for 1989 lurk three obvious questions. The first is about the cash flow from his US and Australian beer sales. The second concerns the balance sheet, due out shortly. Given that the group made a loss even before its A$690 interest bill, and that Mr Bond's latest restructuring scheme is far from sure of success, the third is obvious: how long can the whole house of cards remain erect?

It is impossible to tell which bits of the company are generating hard cash. A worrying sign, though, is the halving of brewing profits to A$124m. The overall impression is that beer cash flow is faltering badly, not least as a result of the losing battle with Anheuser-Busch in the US.

As for assets, shareholders' equity was A$1.9bn at the start of last year, so it cannot be more than A$1bn now, even using Mr Bond's accounting policies. Write down the value of the company's US breweries to a reasonable sum and take a conservative view of the worth of TV licenses in the war-torn Australian media market, and the figure looks much smaller. Mr Bond's only consolation is that he does not look as silly as his compatriots at Qintex, who failed to get MGM/UA and have now put one of their US vehicles into Chapter 11.

Nationwide/GRE

Phase one of the realignment of UK building societies and insurance companies is near its end, judging from Nationwide Anglia's decision to become a life insurance marketing channel solely for Guardian Royal Exchange. GRE lagged behind such as Sun Alliance in recruiting societies as tied outlets and Nationwide had bucked the trend longer than most. But yesterday's news leaves all but one of the top 10 building societies snug in bed with an insurer. The question now is whether there will be a phase two of the process, involving full-scale mergers on French *bancassurance* lines.

Nationwide's reluctance to abandon mutuality means any such deal would be a distant prospect; and with £1.1bn of capital, it has no immediate need of additional resources. But in the medium term it is hard to believe that somewhere in the industry managerial egos will not experiment with insurance/building society marriages.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)			
Rises			
Deckel (Fr)	246	+	15
Lahmeyer	1199	+	89
Falls			
Bayer-Verla	355	−	12
Dickler Werke	257	−	5
Horten	310	−	10
NEW YORK ($)			
Rises			
Holiday Corp	73½	+	½
Proctor & Gmble.	126⅝	+	⅝
Falls			
AMR	71	−	2⅜
Groundwater Tec	24	−	6¼
Hilton Hotels	98½	−	1½
UAL	168½	−	21⅝
PARIS (FFr)			
Rises			
Consept SA	340	+	12.5
Epeda Bertrand	1300	+	5.5
Falls			
Eurafrance	2380	−	100.7
Fromageries Bel	2670	−	159.9
SCOA	56.9	−	6.3
TOKYO (Yen)			
Rises			
Asahi Optical	1140	+	110
Nippon Tungsten	1020	+	102
Sekata Inx	1230	+	110
Subaru Ent	1260	+	110
Tokai Kisen	1100	+	100
Falls			
Okana Valve	1140	−	90

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Britannic	540	+	23
Burmah	669	+	27
Calor	460	+	20
Jaguar	695	+	19
Lloyd Thompson	245	+	18
Logica	346	+	12
Lon & Man	315	+	10
PWS	51	+	8
Premier Cons	108	+	9
Racal Elect	227	+	6
Racal Tele	343	+	13
Redland	503	+	8
Refuge	626	+	47
Reuters	503	+	8
Royal	475	+	10
Vaux	331	+	5
Utd News	253	+	12
Falls			
Int'l Bus	99	−	19
Trust Hse Forte	294	−	10
Wellcome	590	−	18

WORLDWIDE WEATHER

C-Cloudy. Dr-Drizzle. F-Fair. Fg-Fog. H-Hail. R-Rain. S-Sunny. Sl-Sleet. Sn-Snow. T-Thunder.

Reuters unions to hold strike ballots

By Raymond Snoddy

REUTERS, the international news and information organisation, faces the possibility of 24-hour strikes by staff which could disrupt its news and financial information services.

City dealing rooms and financial institutions depend on time-sensitive market information from the company.

Members of the three main unions at Reuters voted this week to hold a ballot for 24-hour strikes because of what the unions describe as management moves to end collective bargaining and impose staff appraisal and performance related pay. There was only one vote against the ballot decision.

The meeting of members of the National Union of Journalists, the National Graphical Association, and Sogat, the general print union, also supported unanimously a motion of no confidence in Reuters management.

The meeting in London on Wednesday was attended by about 350 people and was the first time unions at Reuters had united to threaten industrial action. Each union must now hold separate ballots.

Union members say the management is insisting that basic pay increases should be discretionary and linked to performance and that the company has refused to guarantee that all staff will get cost of living rises this year. Last year, union officials said pay rises ranged from 0 to 8 per cent.

Mr John Freeman, staff manager for Reuters Europe, Middle East and Africa, said: "We are not prepared to say anything tonight."

Saab-Ford talks collapse

Continued from Page 1

Total profits for the company, including aerospace and truck businesses, fell 49 per cent for the first eight months to SKr1bn. Sales rose to SKr29.1bn from SKr26.83bn.

Saab said car sales in the vital US market fell by 11 per cent between January and August, although the sales for western Europe rose by the same figure over the same period. Total car sales rose to 86,900, against 86,400 for the first nine months of last year.

Truck and bus sales rose to SKr11.08bn from SKr9.64bn, with a 17 per cent growth in truck sales. Sales in the aerospace division slipped to SKr2.38bn from SKr2.42bn, although the order book looks healthy for its civil aircraft.

The breakdown of the Saab-Ford negotiations will make the US company even more determined to succeed in its hostile pursuit of Jaguar.

It has bought an equity stake of at least 10.4 per cent and is seeking a share of up to 15 per cent, the current maximum allowed for a single shareholder by the Jaguar articles of association.

Jaguar has rebuffed the Ford initiative and is in the final stages of agreeing a deal with General Motors of the US, Ford's arch-domestic rival, in which GM would also take a minority stake in the company.

Ford is anxious to add a further car marque to its European operations to compete with the more diverse offerings of its big volume rivals Volkswagen.

Olivier exits

Continued from Page 1

onstage and off. "There were times when it was wise to be wary of him".

He praised his pinnacle performances but dwelt on his comic side. The Abbey erupted into laughter on being told how Olivier altered punctuation on a line of Malvolio from "My masters are you mad, or what are you?" to "My masters, are you mad or what? Are you?"

The clerical processions had been followed by a thespian parade, bearing Olivieresque mementoes on blue velvet cushions, in which the billing had not been quite sorted out.

Douglas Fairbanks carried Olivier's Order of Merit, followed by Michael Caine with an Oscar. Peter O'Toole usurped Jean Simmons to bring on the Hamlet film script, while Ian McKellen was obliged to trudge behind Derek Jacobi with the laurel wreath of Coriolanus.

Paul Scofield carried a silver model of the National Theatre alongside Maggie Smith with a similar emblem representing the Chichester Festival Theatre. Frank Finlay brought up the rear with Edmund Kean's sword, a gift of Gielgud to his old sparring partner.

The stalls and pews were packed with an A to Z of the acting profession, Lindsay Anderson to Franco Zeffirelli. The royal family and the Government sent along support players rather than star turns: Prince Edward and Sir Geoffrey Howe. The Queen was represented by Lord Zuckerman, the Prince and Princess of Wales by Sir Richard Attenborough.

Olivier's career was often a conscious bid to stand in succession to Burbage, Garrick, Kean and Irving. He could thus claim, and often did, that he was in direct cahoots with Shakespeare, the root of our culture and his fame.

This is what the Abbey so gloriously celebrated yesterday, and the vulgarian flipside of the great actor's demonic personality would receive many more rancous toasts as almost the entire production transferred immediately to the National Theatre at Lady Olivier's invitation.

Weekend FT

SECTION II — Weekend October 21/October 22, 1989

The wolf is through the door

Antony Thorncroft reports on the funding crisis in the arts

ON NOVEMBER 20 the chairman of Britain's Arts Council, Peter Palumbo, the property developer, will lead the Good and the Great who sit on the council into Leeds Castle in Kent for the weekend and throw away the key. In this fairy tale setting, they will make real a fantasy which has long gripped the British arts world. They will remove grants, stretching into millions of pounds a year, from some of the country's leading arts organisations. What had always seemed a distant threat will become a fact of life.

The council was set up in 1946 to act as a barrier between the Government and the arts, an example of the arms length principle designed to avoid state interference in arts creativity. Government provided the cash; the council distributed it. It was a unique institution, steering a middle course between the funding of the arts by state and city, common on the European continent, and the reliance on corporate and private sponsorship, sweetened by tax advantages, practised in the US.

But now the British system is cracking up. The arts seem to have been in financial crisis for years, wailing for more money while at the same time new drama and opera companies, orchestras and arts centres have sprouted throughout the land. As Luke Rittner, secretary general of the Arts Council admits: "I seem permanently to be wearing a hard hat as I visit some new arts development."

He is convinced that doomsday has arrived. The council will be forced into an unwelcome bloodletting by Government parsimony. The obvious economies have been made; the reserves have been exhausted; and arts organisations have accumulated debts of at least £10m. In theory the Arts Council will refuse to fund an arts organisation that fails to balance its books; in practice it has been forced to accept budgeted deficits.

Oddly enough the crisis has been precipitated by a reform long sought by the arts world — *three-year funding*. It was argued that by knowing the size of their grant well in advance companies would be better able to plan their programmes. Two years ago Richard Luce, Arts Minister, introduced three-year funding, based on very low projected rates of inflation. He added a rider that if the economic situation changed radically he would raise the grant. The situation changed radically, with inflation running at nearly 8 per cent as against the 2 per cent planned increase in aid for the Arts Council in 1990-91, but no extra help has been forthcoming. Hence the crisis.

The council seems nerved to wield the axe: the only argument will be over the choice of victims. The soft option — an across-the-board, inadequate and minimal rise in grant for everyone — has been ruled out. The alternatives are to cut up to 60 of the small and medium sized clients, such as the Young Vic, an experimental theatre appealing to a younger audience, with its grant of £232,000 in 1988-89, or the Bath Festival, which received £38,500; or to dig deep into slightly larger arts companies, such as the English National Ballet, which took £1,356,500; or to cut off the four big orchestras — the London Symphony Orchestra, Royal Philharmonic Orchestra, London Philharmonic Orchestra and Philharmonia which absorb £2m; or to really hit the headlines and drop one of the Big Four flagship companies (the Royal Opera House, Covent Garden; the English National Opera; the Royal National Theatre; and the Royal Shakespeare Company) from the list, although Palumbo has pledged himself to protect these "centres of excellence," which consume more than £27m in grants a year. Ditching the RSC, for example, would give the Arts Council an extra £5.5m to redistribute.

The council expects to hear of any improvement in its grant by the middle of next month. In the meantime, it is carrying out an unprecedented lobbying exercise. Palumbo has had a meeting with Mrs Thatcher, the Prime Minister; Luce has shown sympathy with the argument that the arts are victims of their own expansionary success and has asked the Treasury for extra money; anyone in the arts with influence at the highest levels, such as Lord Sainsbury, chairman of the Royal Opera House (and of the supermarket chain that bears his name) who is a close friend of Mrs Thatcher, will have been bending the ear that matters.

Glyn Goodwin

The omens are not good. The arts have no voice in the Cabinet and it will take a direct intervention by the Prime Minister to open the purse wider. There will certainly be some extra cash but not nearly enough, and much of it is destined for those traditional allies of arts organisations who now appear as rivals — the museums. Their lobbying has apparently been more effective.

So far-reaching decisions will be taken at Leeds Castle. There is always the chance of a messy last-minute compromise. But the arts world has been so geared up for a major confrontation that the time for fudge is probably over. As Peter Jonas, general manager of the English National Opera puts it: "We are no longer crying wolf: the wolf has come through the door."

Jonas's experiences are typical of many leading arts organisations. He subjected his company to a management scrutiny — by management consultancy Price Waterhouse — and pushed through cost-saving changes in working practices; he has raised sponsorship income by more than fourfold in the past five years to £1.2m; attendances are close to capacity at 84 per cent last season, and a 23 per cent rise in seat prices since August should ensure box office revenue of £5.5m, making a 31 per cent contribution to turnover as against 21 per cent five years ago. Yet the ENO is budgeting for a deficit of £290,000, a sum which is just about the difference between its rise in grant — 2 per cent — and the rise in inflation.

To a great extent the Jonas experience can be repeated throughout the country. The Royal National Theatre is considering switching its Lyttelton Theatre to the repertory system, milking successful productions, but reducing the range and challenge of its work. The English National Ballet has given up on new productions yet still faces an accumulated deficit of £330,000.

David Brierely, general manager at the Royal Shakespeare Company, says the view ahead is very bleak. Two years ago a £1m extra donation by the City of London *helped clear the RSC's deficit*. But it has started this season more than £1m in the red and the deficit is growing. Like other arts administrators Brierely points an accusing finger at the Government. In 1984 the RSC was subjected to a rigorous Cabinet Office inspection. It came through with flying colours, with the consultants recommending a rise in funding that should be constantly topped up. If the Government had kept to the findings the RSC would have received an extra £4.2m. In the event its annual subsidy has fallen from 44 per cent of revenue to 30 per cent in the past five years.

All these sob stories are drearily familiar but suddenly new factors have arisen which put the arts under intolerable pressure. One is the new Companies Act, which penalises directors if a company they are involved with goes bankrupt. An arts-loving businessman invited to join the board of a small dance company, or his local theatre, must now think twice. If the arts organisation goes into deficit, and the banks make it insolvent, he could now lose his seat on the family board.

A second cause for concern is that corporate sponsors are getting fed up with plugging the shortfall from inadequate Government funding. Arts sponsorship has surged ahead to £30m a year but now one leading sponsor, Ian Rushton of Royal Insurance — which backs the RSC with more than £1.1m — has signalled his disaffection. Corporate sponsorship was supposed to provide the icing on the cake — not the flour and water.

More ominously the major source of revenue — the box office — is also looking poorly. Ticket prices have risen substantially in the last year and all the Big Four companies, to say nothing of the South Bank concert halls, indeed virtually all arts organisations, have noticed a fall in audiences. *Nigel Lawson's squeeze has hit the arts-going classes.*

So a financial crisis is approaching on all fronts. To date just a handful of small travelling arts companies — including the avant garde Janet Smith Dancers and the revolutionary Foco Novo drama company — have called it a day. It would no longer be incredible if a flagship company went down with all hands.

'I will only consider lowering standards at the death' — Jeremy Isaacs of the Royal Opera House

"THIS IS the crunch," says Jeremy Isaacs, who just a year ago took over as general director of the Royal Opera House. He committed himself then to raising standards at Covent Garden through an energetic programme of new, imaginative, productions, presented by a more enthusiastic staff. He finds himself embroiled in staving off an economic crisis which threatens Covent Garden with a record deficit this year of approaching £3m.

If he does not receive a higher Arts Council grant for 1990-91, something around 15 per cent rather than the 2 per cent scheduled, he will have to axe Covent Garden's out-reach programme to schools, and to raise prices sharply again, perhaps to £120 for top seats. Both moves would go against the opera's aim of broadening its popular appeal and would also irritate the Arts Council.

But, says Isaacs: "I will only consider lowering standards at the death. I want to look in the shaving mirror in the morning and be proud of the service we are providing to the opera- and ballet-going public."

Jeremy Isaacs shares at least two characteristics with Lord Sainsbury, chairman of his board. They are both perfectionists who are used to getting their own way. Resignation as an answer to Government intransigence has probably passed through the minds of both men and other board members have reflected more publicly that they are fed up with the constant squabbles over funding.

Like every major arts company in the country the Royal Opera House reckons it has more than done its bit in recent years but has been let down by the Government. Just over five years ago the Cabinet Office sent its team of management consultants, under Clive Priestley, into the Opera House. They came up with a report which basically said that the ROH was well run and, in return for various back stage economies, should receive more funding.

For one year there was a substantial uplift in the grant. Since then Covent Garden has been abandoned to work out its own financial salvation. Five years ago it had a turnover of £23m, of which £12.4m (or 53 per cent) came from Arts Council subsidy. In the last financial year it cost £31m to run Covent Garden of which the Government, through the Arts Council, contributed £14m, or 44 per cent. This year the grant will represent just over 40 per cent of turnover. By raising its box office revenue and boosting sponsorship, Covent Garden, though its own efforts, hoped to make good the Government shortfall.

But it seems to have approached the point of no return in expanding self sufficiency, in particular in sponsorship income. The main reason for this year's deficit is the sudden collapse in sponsorship. It was expected to contribute £7.8m, but it now looks like being £1m less. Companies, worried by a possible recession, are reluctant to cough up £150,000 to underwrite a new opera production or to pay the premium for corporate seats.

At the same time Covent Garden can hardly increase its box office revenue by boosting audiences. It is already playing to 91 per cent capacity, although there are signs that Government attempts to dampen the economy have hit the pockets of opera and ballet lovers. The recent, well-received production of Wagner's *Die Walkurie* has not been the complete sell-out anticipated for works from the Ring Cycle.

The other factor in the sudden slide into deficit has been the rising wages bill, which now accounts for 63 per cent of total costs. As against a rise in grant of 1.7 per cent, Covent Garden gave its unions an average increase of 9 per cent. This might seem generous but members of the chorus only earn £245 a week and the cost of a dispute — £60,000 in lost revenue from every missed performance — weighed heavily on the minds of management. Anyway Jeremy Isaacs does not believe that the staff should carry the can for inadequate Government funding.

He also does not believe that the most expensive singers should be banned from Covent Garden. This season Placido Domingo will be earning £12,000-plus a performance for singing Otello. The higher seat prices he can command will more than recoup the extra expense. Where possible though, the new management is saving on the cost of productions, mainly by mounting joint productions with other opera companies. For example, the modest cost of staging Tippett's *King Priam* in January, a production put together by Kent Opera, should ensure that this modern opera actually makes a profit for the Opera House.

As well as pointing out that it is playing to record audiences for less subsidy; that its grant, the highest distributed by the Arts Council, has to service three companies — the Royal Opera, the Royal Ballet, and Sadler's Wells (now Birmingham) Royal Ballet; and that its opera company, with a grant of £6.5m, receives less than its rival, the English National Opera (£8.2m), Covent Garden has another grouse — its low subsidy compared with its foreign counterparts. The opera houses in Cologne and Milan derive 75 per cent of their income from public subsidy; Vienna and Munich 78 per cent; Paris 82 per cent and Rome 92 per cent. The Isaacs view is that if the British Government wants Covent Garden as a national flagship company it should pay for it.

And all the time the biggest change in the history of the Royal Opera House remorselessly approaches. In 1993 it will close for three years rebuilding work which will transform its back stage operations. The need to sign off on a high note is partly behind the frenzied rush of new productions, the hallmark of the Isaacs era. The redevelopment, if the revised scheme is accepted by Westminster City Council, will cost £160m, with half paid for by commercial projects. The ROH must raise £25m itself while facing the prospect of three years in a rented home for the ballet company, ideally the Lyceum, while the Royal Opera concentrates on short seasons, such as presenting the Ring Cycle at the Royal Albert Hall.

Isaacs believes that the closure provides no potential savings but obviously the hiatus will prompt some review of the organisation's funding. With such a mess, current and prospective, the Minister for the Arts might well be tempted to take the opera house's financing — along with the Royal National Theatre, the English National Opera and the Royal Shakespeare Company — out of the annual scramble for inadequate Arts Council funds and pay it directly from Government resources.

The Long View

A recipe for financial instability

PERHAPS we should dub it the crash that never was, but the global stock market has been looking distinctly out of sorts during the past few days. And the volatility of Wall Street has become such that it is no longer possible to dismiss the 1987 collapse as a freakish one-off event.

Last week, I mused on some of the internal market distortions that have led us into this quagmire. But the behaviour of investors does not change for no reason. The disturbances must reflect the intervention of new investors influenced by different factors. We are, in fact, seeing the effects on the capital markets of the immense structural imbalances of the 1980s.

A little perspective is useful here. Going back a decade, the 1970s had their mismatches as well, but the trouble turned up in a different place. The big surpluses were then in the petroleum-producing countries. By and large, they were territories with little in the way of financial institutions and with no tradition of investment. So when their surpluses piled up as liquidity, they were content to leave it largely with the banking system, with one or two exceptions such as Kuwait and Brunei.

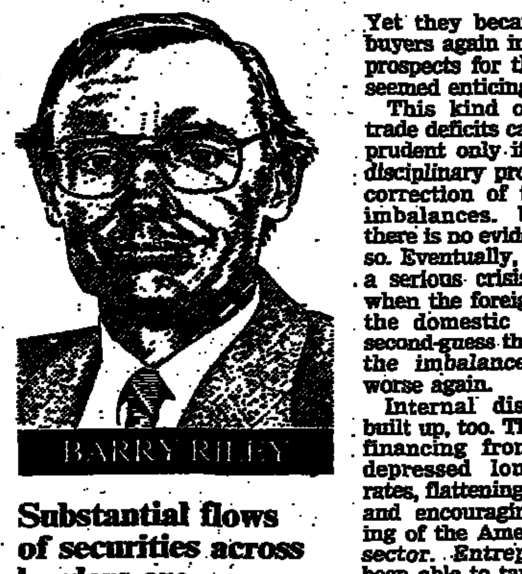
We all know the consequences. Once the banks came to regard it as their duty to re-cycle *the money* in order to stave off a global economic collapse, they set off down a very dangerous road. Loan officers toured the world seeking ever more dubious clients, especially sovereign states that could never go bust.

Because of their blunders in the 1970s, the big American and British banks in 1989 are still writing down *bad* loans and are somehow staying afloat on the basis of fictional balance sheets and sympathetic central bankers. But at least, after a few years, those destabilising oil surpluses shrivelled away.

What replaced them, however, was not equilibrium but a new pattern of imbalances reflecting trade in manufactured goods. The chronic surpluses turned up in Germany, Japan and, increasingly, in other Far East exporting countries like Taiwan and South Korea. The deficits emerged in the US, and later in the UK and several other European nations.

This time, the liquidity accrued primarily to countries with much more sophisticated financial sectors. Their institutions were natural investors in securities. In any case, the weakened banks were scarcely able to cope. So the feature of the 1980s has been an enormous growth in cross-border investment in bond and stock markets. For Japan alone, this flow of capital has reached as much as $100bn a year.

Overwhelmingly, the investment has been concentrated in the bond markets. The role of the Japanese life assurance companies in financing the US



BARRY RILEY

Substantial flows of securities across borders are sustaining the world economy but are also contributing to the rise in stock market volatility

budget deficit through thick and thin is famous: effectively, they have been offsetting the current balance of payments deficit at the same time.

The Germans have been more sensitive than the Japanese to the ups and downs of the dollar, and they stopped buying dollar bonds in 1986. Yet they became substantial buyers again in 1988 when the prospects for the US currency seemed enticing once more.

This kind of financing of trade deficits can ultimately be prudent only if some separate *disciplinary process leads to* a correction of the underlying imbalances. Unfortunately, there is no evidence that this is so. Eventually, there has to be a serious crisis of confidence when the foreign investors (or the domestic investors who second-guess them) realise that the *imbalances* are getting worse again.

Internal distortions have built up, too. The flood of bond financing from outside has depressed long-term dollar rates, flattening the yield curve and encouraging the leveraging of the American corporate *sector*. *Entrepreneurs have* been able to tap the debt markets to finance buy-outs and break-ups. Low bond yields have tended directly to boost the equity market.

For a long time, there was little substantial investment in US equities by the surplus *countries*. In the past few months, though, the Japanese institutions have become significant buyers of American stocks. So although US domestic investors have become concerned about the high valuation of stocks at a time when corporate earnings prospects clearly have been worsening, it has been possible for the bulls to talk about the importation of Tokyo's valuation standards.

With the approach of the "wall of money," all traditional notions of cheapness and dearness can be thrown out of the window. Or can they?

The evidence is, unfortunately, that Japanese investors *treat foreign equities strictly* as speculative trading assets. Moreover, it is a characteristic of strong flows into securities markets that they become self-justifying. Heavy buying pushes up prices, so that profits are made which encourage further buying. Unhedged buying across frontiers will serve to add currency gains to this heady mixture. We have seen all this in the US equity market during the past summer. But it can only be a temporary effect, because soon the foreign investors will want to take their profits. It is a recipe for *instability*.

Drawing again the parallel with banking, eventually the Japanese and German institutions will grow tired of financing endless deficits. But there is no telling when this will be because the Japanese institutions (although not the Germans) have shown remarkable perseverence in the past in pursuing what they presumably have regarded as over-riding national priorities, rather than simply aiming at narrow investment objectives. Curiously, in the 1970s it was the international banks which were concerned to do their duty. Let's hope the Japanese life companies won't still be licking their wounds in 1999.

CONTENTS

MARKETS

FINANCE & THE FAMILY: THIS WEEK

The crash of '89 that hasn't quite happened

The world's stock markets shuddered once again this week but it was not the great crash that looked possible when Wall Street plunged last Friday. Markets steadied along with investors' nerves. So what happened? On Page III, FT writers investigate and analyse the events of the week. For those who are ruled by superstition, **William Hall** points out that this is the 13th year in a row that the London equity market has risen — and, of course, the Wall Street fall came on Friday, the 13th. **Sara Webb** seeks the views of City analysts on what the future might hold, while **Andrew Hill** investigates which companies ended up as winners as the market balloon deflated.

Don't say you weren't told . . .

It's the Chinese Year of the Snake — and that means it's bad for speculation. So says Private Investor **Kevin Goldstein-Jackson**, who has been pessimistic about the market ever since Chancellor Nigel Lawson's initial decision to raise interest rates. Then, when rates rocketed to 15 per cent earlier this month, Goldstein-Jackson's worst fears were realised. "That's it," he thought. "Britain has had it. What shares can I sell?" Further thoughts are on **Page V**.

Societies soften the blow

The 1 per cent rise in mortgage interest rates, announced by the Halifax Building Society following the latest increase in base rates, has set the trend for other societies. But some have tried to soften the blow by offering fixed-rate mortgages at lower levels or setting special terms for new borrowers. **John Edwards** takes a look at what is being offered. **Page V.**

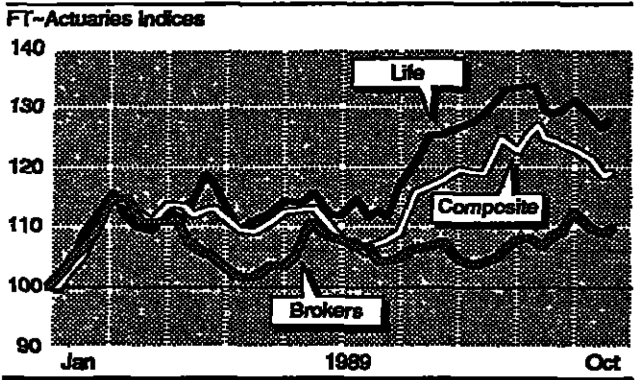
Taking stock of the markets

The latest turmoil in the stock market has made it more imperative than ever for private investors to know exactly what is going on. So what can you do — and where can you go — if you want to learn more? **Sara Webb** has been investigating. **Page VI**

Minding Your Own Business

Roy Hodson discovers a couple in central London who are turning their enthusiasm for good cooking and vegetarian foods into a profitable enterprise; and meets a former window cleaner who is making a clean sweep of Britain's car and industrial parks and retail centres. **Page VII**

■ **BRIEFCASE:** Where there's a will — **Page VI**



Insurance shares ride out the storm

Insurance company shares had a hectic week on the London Stock Exchange. First, they rode out the storm created by the general slump in prices on Wall Street on Friday and London on Monday. In a classic display of their defensive qualities, the insurances were down only marginally as the rest of the market plunged.

Then, they were faced in the middle of the week by the earthquake horror in San Francisco and its obvious impact on the big UK companies. The composites were hit hard early on Wednesday but rallied quickly as it became clear that the brunt of the insurance claims relating to UK insurers would be borne by the re-insurance market, much of it at Lloyd's.

Estimates of the losses impacting on the composites ranged up to around £35m for Royal — the worst affected of the UK companies — to minimal amounts for Sun Alliance and Guardian Royal. Prudential is affected only via its ownership of Mercantile & General, the re-insurance group.

Insurance broker companies' shares, after languishing for some considerable time, sprang to life with specialists taking the view that the latest catastrophe could trigger an increase in non-marine insurance rates in London.

Meanwhile, the life company sector was ablaze with stories of stake-building, the agreement reached between the major shareholders in Sun Life, and imminent takeover bids to follow that for Pearl. *John Edwards*

New name, new facility

■ National Mortgage Bank, the new name for the National Home Loans Bank, announced this week that it will be offering current account banking facilities, although to selected customers only at first. The bank is capitalised at £50m and its assets will consist of first mortgages on UK residential and commercial properties.

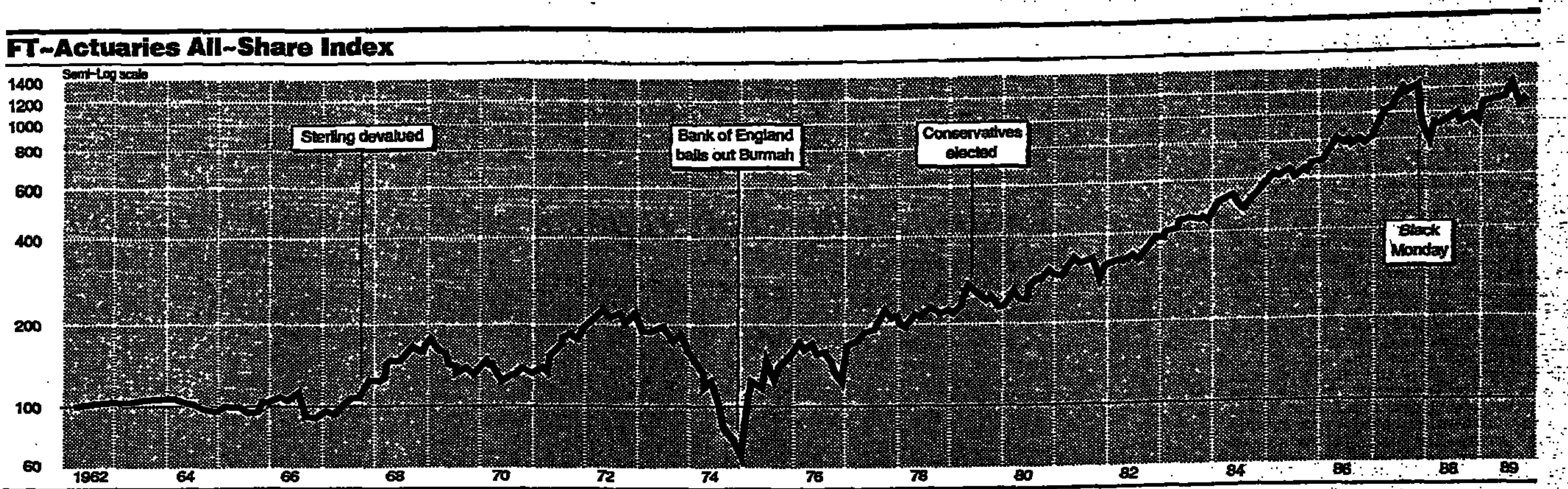
■ Girobank, *known originally as the "people's bank,"* celebrated its 21st anniversary this week with the launch of a Visa gold card. Available to customers earning £20,000 a year or more, Girobank Gold has a very competitive rate of interest of 1.35 per cent a month (equivalent to an annual *percentage rate of 18.7), while 9 per cent interest is* paid on credit balances. There is, however, a £3 monthly fee, in addition to a joining fee of £20 — although that is being waived for all applications made before January.

■ *The TSB Trust Company* is — at no charge — extending its share exchange scheme for accepting privatisation stocks to include Abbey National shares. Under the scheme, TSB gives the full stock market offer price and pays all dealing expenses to investors in the group's unit trusts, life *assurance, investment or pension plans.*

■ In a tough week for new issues, Ivory & Sime managed to attract applications for £28.92m ordinary shares in its I&S Optimum split capital investment trust, designed to appeal to investors in personal equity plans. Simultaneously, Chase Investment Bank placed £17.24m worth of zero dividend preference shares, making the total value of the new trust some £46m. *John Edwards*

LONDON

Not a disaster — but worries remain



IT SOON became clear this was not the Big One, any more for the London and other equity markets than it was for California. But it is too early to forget the fraught 72 hours that followed Wall Street's Friday night collapse, or to draw complacent conclusions about the world financial system's ability to cope with shocks of that magnitude.

By the close of trading in London on Monday, there was no shortage of self-congratulation, and much of it was justified. We kept our nerve. We showed sang-froid. Good old British phlegm. All the metaphors were physiological, probably indicating that a lot of people needed sleep after tossing and turning all weekend and watching Tokyo and other Eastern markets from the early hours of Monday.

Although the FTSE-100 was *more than 204 points lower at* one point on Monday, it took heart from the rally on Wall Street and recovered to finish only 70.5 points down. A fur*ther slide of 27.9 points on* Tuesday, after disappointing US trade figures, was followed by two days of advances.

A final session loss of 10.2 points left the index at 2179.1, only 54.8 points lower than seven days previously. It lost 27 points more than this in the last week of September, when the August trade figures came out. Tuesday is the next day of reckoning on that score.

It is far from certain, however, that London or any market would have been as resilient if Wall Street had plummeted on any day other than a Friday. At one point last weekend, the global chorus of "there is no reason for panic" from politicians and central bankers seemed counter-productive. In the end, the over-kill of analysis prepared investors and traders for the worst although it counselled them that it was unlikely.

But if Tokyo had opened only four hours after the Wall Street close, as it normally does at this time of the year, the second-day outcome might have been far less happy.

The spotlight on Wall Street, and early downward pressure on the dollar, allowed London temporarily to forget the local problems which had pre-occupied *it* for weeks. In a way, London was better placed psychologically for Friday the 13th's shock because it had been softened-up by the interest rates/sterling conundrum and by Peter Thompson's bearish circular the week before. Even if the source of the bad news was unexpected, it fell on ears tuned to that wavelength.

As the *immediate crisis* passed, however, the old worries came back, even if few now feared another imminent rise in UK rates. Economic indicators during the week gave mixed signals. Retail sales volume growth of 1.25 per cent in the third quarter was the lowest three-month figure for 7½ years and average earnings also slowed, even after taking into account a change in the method of calculation. But bank and building society lending soared to a record £10.2bn in September, and unemployment fell again.

Chancellor Nigel Lawson's Mansion House speech on Thursday evening brought the expected repetition of the Government's economic mantra, but also an interesting gilts market experiment. By allowing holders of two smaller issues of government stock to convert into an existing larger one, Lawson set in train an evolution which should lead to fewer but more liquid issues.

With deadly inevitability after the market collapse, the week was punctuated by the sound of unwanted shares falling on sub-underwriters' desks. They were left with 92 per cent (£153m) of the Hays flotation and nearly £54m in total from the flops of the Acsis Group and Wace Group rights issues.

They will *also* end up with most of British Airways' £320m offer of convertible capital bonds, a rights issue intended to contribute to BA's participation in the ill-*fated* management and employee buy-out of United Airlines.

Japanese banks' shunning of the financing package put together by Citicorp was the catalyst for Friday the 13th's debacle on Wall Street, and US unambiguously that the deal was dead for the "foreseeable future" — an horizon that extended to months, if not years.

There was much better news from Polly Peck International, however, where nearly 97 per cent of the £283m rights issue was taken up. There is no substitute for a good deal, and nothing that has happened in the past six weeks has shaken share prices were swayed throughout the week by rumours about the buy-out. From Monday on, BA itself sent out clear signals that it was in no rush to enter a revised bid; by Friday, it said that reading of Polly Peck's purchase of Del Monte's fresh pineapple and banana interests.

'If Tokyo had opened only four hours after the Wall Street close, as it normally does at this time of year, the second-day outcome might have been far less happy'

On a smaller scale, sub-underwriters were fortunate that the £6.3m rights offer by up-market wall-coverings merchant Colefax & Fowler had closed the previous Friday, when 81 per cent of its less decorative paper was taken up by shareholders. Those who did, however, were showing a 2p loss on the 160p rights price by the end of the week.

BAT Industries got shareholders' approval on Thursday to proceed with its proposed restructuring programme and to buy back some shares. It wasted no time in using its new authority, buying 2.5m shares at 785p the same afternoon, sparking a *27p* advance on the day to 783p.

Roland Franklin's 590p cash offer for DRG looked more attractive at the beginning of the week, and his Pembridge Investments took its stake up to 29.9 per cent with market purchases on Monday. But acceptances by the first close on Wednesday added only another 3.2 per cent, indicating that shareholders remained unconvinced by his price or the logic of his break-up bid.

Whitbread showed up at the re-structuring party, clutching bottles of Beefeater Gin and Laphroaig malt whisky. It *plans to sell its wine* and spirits division as part of a broader strategy of concentrating on brewing, pubs and restaurants. The businesses are expected to fetch up *to £500m.*

Some companies get "unbundled" in other ways, with shareholders relegated to the end of the queue. The agents of such *involuntary* corporate reconstruction, of course, are receivers, and Talbex Group this week became the second listed company in a matter of days to meet this fate. Talbex's businesses — mainly an aerosol-filling operation — are up for sale, but it is not clear if shareholders will see any of the proceeds. The shares were suspended last month at 6¼p.

Amstrad reported pre-tax profits of £76m for the year to June 30, less than half the figure for 1987-88. The consumer electronics company *now* wants to buy-in its own shares — a conventional enough procedure these days — but chairman Alan Sugar added spice by hinting that he might take Amstrad private if the stock market did not *treat* him better.

It appears more likely, however, that the market's reading of Amstrad shares has never been more astute than in the past year, during which they have lost three-quarters of their value. It was the previous exaggerated hopes which now look unjustified.

The only other results of any note came from the engineering group Hawker Siddeley, which increased interim pre-tax profits by 16 per cent to £93.2m; and Beazer, the building materials, *house-building* and contracting company which lifted its full-year total by 24 per cent to £142.5m.

By the end of the week, *there was little sign in the City* of the biggest danger now facing the market: a complacent "we survived this — we can survive anything." The imme*diate outlook still* remains *flat* at best, because an unwillingness to sell in a panic does not translate into a desire to buy.

Above all, few in the Square Mile are swayed by the insistent refrain of "There is no alternative," perhaps recalling an even older expression: "Saying so doesn't make it so." Ask Erich Honecker.

Clay Harris

WALL STREET

When even the arbs panicked

SAY YOU had been out of town, perhaps enjoying some fly-fishing in upstate New York, thankfully out of telephone contact and relaxing *without the daily newspapers.* Say that you left town on the evening of the Thursday before last and came back a week later and sat down to see how *your investments were doing.* No surprises, really. The Dow was a good bit lower; but then, the profit-taking had set in before you went on holiday *and it was, after all, about time* there was a correction after the surge to all-time highs early in the month.

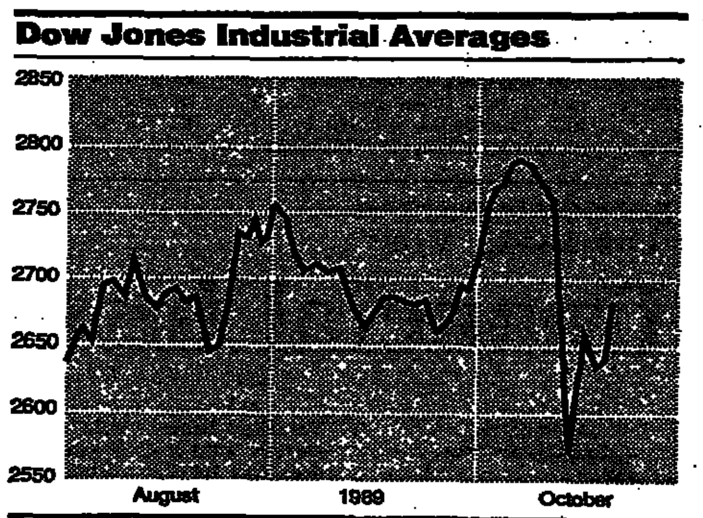
From the rally on Thursday, it looked as though the Dow was back on track for 3,000 before the year-end. All the old suspects were doing well – all those entertainment and hotel *companies that have been hot* takeover tips all year. Hilton Hotels was up $3¼ while Paramount Communications (that old chestnut) was still steam*ing along.*

What about bonds? Well, the yield on the long bond has dropped a bit below 8 per cent but that was pretty much *predictable given that, after all* the procrastination, Alan Greenspan was bound to give in to the pressure from the White House. Still, bully for him, *he hasn't given* much away; it looks as though he has conceded only a quarter-point on the Fed funds rate. Not enough to set the economy *alight. The dollar* is a bit lower, but that was to be expected after the Bank of Japan followed the Europeans and raised its discount rate and so relax, nothing dramatic happened.

The fact that this is the conclusion of many who WERE there to witness the events of the past week is what has many on Wall Street and in the *investment community most* worried. David Mills, executive vice-president of The Boston Co., a substantial fund manager, sums up the views of many. "The recovery over the last week has all been very nice and a little suspicious," he said. "The major risk to the long-term health of the equity market is that Friday's selling did not clear the air, that the speculators are back so quickly, that nobody cares about a 190-point drop, and that we are *not going* to get the orderly advance that everybody wants with high-quality companies leading the way."

The initial reaction to the *precipitous drop on October 13* was that, alarmingly swift as it was, the unstable element of speculative money had been squeezed out of the market. The way had been cleared for a steady advance based on hopes of a soft landing for the economy and buying of good-quality stocks with proven earnings fundamentals - or so the argument went.

By the close of Monday's session, when blue chips rallied strongly and the Dow Jones Industrial Average was up 88.12 points, opinion divided. There was the smug, pseudo-sophisticate camp (with large components of its portfolios squarely in equities) which reminded itself that all the doom and gloom after the 1987 crash had come to naught; that the market had gone to all-time highs; and that anyone



who gets freaked-out by a 190-point fall in 45 minutes doesn't understand a modern market and shouldn't be in it. This camp doesn't talk much about economics.

The other camp became increasingly worried. Abby Joseph Cohen, investment policy analyst at Drexel Burnham Lambert, believes that the economic backgrounds of the 1987 crash and the brief free-fall on October 13 are crucially different. At the bottom of the market on October 19, she told her clients to buy stocks *for all* they were worth, predicting correctly that the economy would grow robustly for another two years. She notes that, in the two years since the '87 crash, Wall Street has *under-estimated corporate* earnings consistently.

She is far less sanguine now, and was emphatically not instructing her clients to buy stocks *but to maintain* the moderately defensive position she has recommended for some months. The difference these days is that she believes Wall Street's *forecasts for corporate* earnings for 1990 are too optimistic, and that the peak in earnings momentum has been passed.

Both of these highly-divergent views are embraced by the mainstream of the US investment community, which is by nature conservative and risk-averse. On the fringes of the mainstream are investors whose life-blood is taking risks, *timing* market moves, and making clever stock decisions which do not rely on the overall health or sickness of the broad market.

The arbitrageurs belong to this group. Many of them took a bath on October 13 as so-called deal stocks plummeted but, *for many*, those were paper losses. For those who are interested in the anatomy of these super-cool minds, it is worth noting that they were also pretty terrified by the speed of the 190-point fall. One arb said: "Did I sell? Are you kidding? I was too panicked to do anything."

By Thursday afternoon, the broad market had recovered a good proportion of the ground that had been lost and the speculative money was back, pushing up stocks such as Holiday Corp. which has long been rumoured as a takeover candidate. To onlookers, it seemed quite alarming that even the shock of October 13 had not deterred take-over speculation. But this is the bread and butter of the arbitrageurs, whose business it is to make plays in this risky fringe of the market.

The buying was not the rampant, across-the-board speculation that had been seen most of this year. The overall effect of the mini-crash was to make arbitrageurs more selective — just as mainstream investors made more careful choices, based on fundamental values, from the broad market.

Brian Fernandez, managing director of Brean Murray, Foster Securities, likens the 190-point drop to a centrifugal force that broke-up a unified market of shares. Stocks were scattered with immense force and viewed as individual entities, with plusses and minusses quite particular to each company. Selectivity always emerges from the ruins of a market melt-down as investors return to basics.

Does speculation in takeover issues actually matter to the market in the long-term? Some would say that hot money provides much-needed *liquidity* to the broad market. Others disagree. There is an important link between the principles behind takeover speculation and the broad market. This is a shift in valuation principles – from valuing companies using traditional methods, such as looking at price/earnings ratios, earnings growth et al, to valuing them on the basis of cash-flow and break-up value.

The reliance on this kind of valuation means that, if the *flow of deal transactions* were to level-off, asset values across the board would fall and a ceiling would have been placed on the broad market by the experience of October 13. The last word goes to an arb: "I am a risk arbitrageur and deal stocks are my business. But if I was a normal market person, I would be getting my money out right now."

Monday	2657.38	+ 88.12
Tuesday	2638.73	− 18.65
Wednesday	2643.65	+ 04.92
Thursday	2683.20	+ 39.55
Friday		

Janet Bush

Smaller Companies

Share turbulence rocks the minnows

THE SMALLER company sector has acted rather like a lightning conductor recently, drawing down on itself all the problems in the economy at large. After several months of disappointing profits and share price performances, the misery intensified this week as smaller companies took the brunt of the stock market's turbulence. On Monday, shares in the 100 largest companies on the Unlisted Securities Market fell by more than 9 per cent, compared with a 3 per cent fall in the FT-SE 100 share index. That took shares in the USM to lower levels than at the start of the year.

Inevitably, this provokes comparisons with the events of two years ago when, in the two weeks after the crash, the USM's largest companies fell by 30 per cent compared with a 25 per cent fall for the FT-A All Share index. In the last quarter of 1987 small companies continued to under-perform although, by the turn of the year, confidence in them had been restored partially and they out-performed the main market for most of 1988.

However, the differences between now and October 1987 *may outweigh the similarities.* In the first few days of the '87 crash, attention was on large stocks and small companies held up well. There has been no such lag effect this time round.

Mindful of the experience of two years ago, market-makers marked down the prices of smaller companies savagely first thing on Monday morning. Those with the least marketable, most tightly-held shares were hit worst. Of the 20 worst-performing shares between Friday and Monday, half were on the Third Market or USM, and 14 were "gamma" stocks, with low marketability.

Another difference from two years ago was the level of trading. In 1987, scores of panicked investors tried to sell their shares, even at pitifully low prices. Not so this time. According to Winterflood Securities, which specialises in smaller companies, volumes on Monday were roughly double those of a normal day. On Tuesday, volumes were two-thirds those of Monday. Thereafter, says Brian Winterflood, "it has been awfully quiet."

Part of the reason for this change of behaviour rests with a subtle shift in the nature of smaller company investors. In 1987, penny share mania was at its peak, sucking-in inexperienced short-term investors. It also became fashionable for unit trust companies to launch smaller company funds, something that resulted in stock being dumped on the market in response to a wave of redemptions from unit-holders. Since then, the newcomers to the *smaller companies'* arena have tended to be life companies and pension funds, which can take a longer-term view.

So, on the bright side, investors are older and calmer than two years ago. Moreover, this time round the junior markets are placed better than the main market in that share prices are less frothy and buoyed-up less by takeover hopes. However, other contrasts with two years ago are less encouraging.

With sky-high interest rates, there is a distinct danger of a recession in which smaller companies would be particularly vulnerable. Compared with large companies, small companies are geared more highly, with narrower spreads of activities, smaller customer bases and few export sales. And many of the small companies that floated in the bull market have inexperienced managements.

These pressures on small companies will become increasingly apparent over coming months as yet more of them produce disappointing figures. As a result, it seems possible that the ratings for many small companies — which in recent years have been well above those for large concerns — will slip below them. Peter Hewitt, of First Charlotte Assets Trust, believes: "The way the market has been de-rating small companies, we are going to see companies on P/Es of 7 or 8."

In the medium term, however, there are strong reasons to believe that smaller companies will re-assert themselves. The Hoare Govett Smaller Companies index (those companies valued at £116m or less) has out-performed the FT-A All Share index in 27 of the past 34 years. In bearish or stable market conditions, it performed even better. However, there is little consensus on the question of when small companies will return to favour.

Andrew Beeson, of Beeson Gregory, thinks poor results will *continue to depress* sentiment for a limited period. "We may be somewhere near the bottom of the cycle. Interest rates are not going to get higher and political considerations are coming into play in the next six months." Hewitt believes matters will get worse before they get better although he reckons that the turn-around "will happen long before the profit performance of small companies begins to pick up."

But Barclays de Zoete Wedd feels this week's turbulence will delay the return of positive sentiment towards smaller companies until after 1991. A spokesman said: "We believe that the smaller company sector should prepare for a possible crash landing."

Vanessa Houlder

A time for caution

Sara Webb talks to finance gurus on the stock market fall

David Fuller, chairman of Chart Analysis:

"The global bull market is over. The gains in 1989 were very strong and that kind of acceleration is a classic old-fashioned blow-off.

"Before this Monday, the UK market had already seen its biggest decline off the September peak since the October 1987 crash. I see no chance of the UK market challenging its high — this is a fully-fledged global bear market. The best the market could do is range sideways beneath the peak, but I doubt this will happen for long before it falls. The minimum downwards movement is for it to retrace its entire 1989 gain.

"I feel there is a dangerous complacency today and people are acting as if Friday didn't happen; there was absolutely no way we were going to get an identikit replay of 1987 this week because this time people did what they wished they had done in 1987, but world markets have lost the prop of the takeover speculation to hike prices upwards. This time around I expect a slow rate of decline but a bear market that is no less severe."

Ms Anthea Nugent, head of pension fund investment at Henderson Administration:

"The most important thing to remember is that the background to Monday is completely different: whether a bunch of guys are buying an airline or not is completely irrelevant to the market.

"People ask if the '87 crash could happen again — but valuations couldn't get to where they were then for there to be a need for such a correction. What hasn't changed is the propensity of market makers to panic and for the media to get hold of a story and it blow it up, given that it was two years on from the last crash and Friday the 13th.

"There's no reason to suppose we might not still have the odd day of mainly market maker driven nervousness. But if anything people are buyers — you can pick plenty of stocks where over 50 per cent of the profits are generated abroad. We also have a scenario now where expectations are considerably lower than they were two years ago. We are not in a bull market, it's more a question of avoiding the disasters.

"I don't think the FT-SE index is going to roar away from here, but I don't see it collapsing either. It could be 2,250 or 2,300 at the year end."

David Prosser, group director of investments at Legal & General:

"This is a good time to sit on your wallet. The UK market is back about 10 per cent from its peak: with continuing high interest rates in the UK and the forthcoming water privatisation, we are still a bit cautious. We need more evidence that the economy is slowing before we change track. We sold back in August, and now we're sitting on our hands and waiting for the right time to buy. We weren't buying on Monday, but when the market was 200 points down it reached a level at which we thought we might start buying — although it then started to go up. We're always looking for significant underperformers — we found some but didn't buy the market as a whole.

"The sharp fall in Wall Street woke everyone up to the fact that you can't extrapolate growth in equity prices. Prices have been very strong this year and people are sitting on quite good profits. The markets which look interesting are Japan, where the economy is still quite sound, and certain European markets which have some potential for recovery, like West Germany."

Fred Carr, Capel-Cure Myers:

"We thought Monday's fall was a flash in the pan. Our view is that investors flew into an air-pocket and not what the Americans call the big invisible glass mountain in the sky.

"There was always the possibility of another fall after October 87, but the underlying conditions were entirely different then. The speed of communication in world markets means we must get used to seeing air-pockets. Nothing fundamental has changed about world markets.

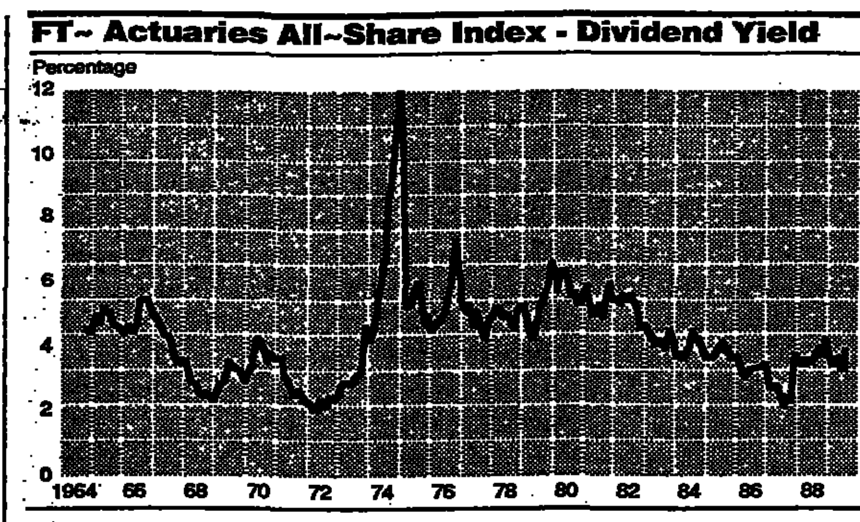
"There's an awful lot of bad news in the UK market, but then the British have a tendency to beat themselves with lumps of poisoned granite. The side-effect is that bad news gets into the UK market very quickly. "We certainly don't expect to see a general recession, and we're not quaking in our boots about what could happen to the UK market.

"Investors are very silly if they are blown off course by recent events: Monday was a good time to buy though not many private investors did.

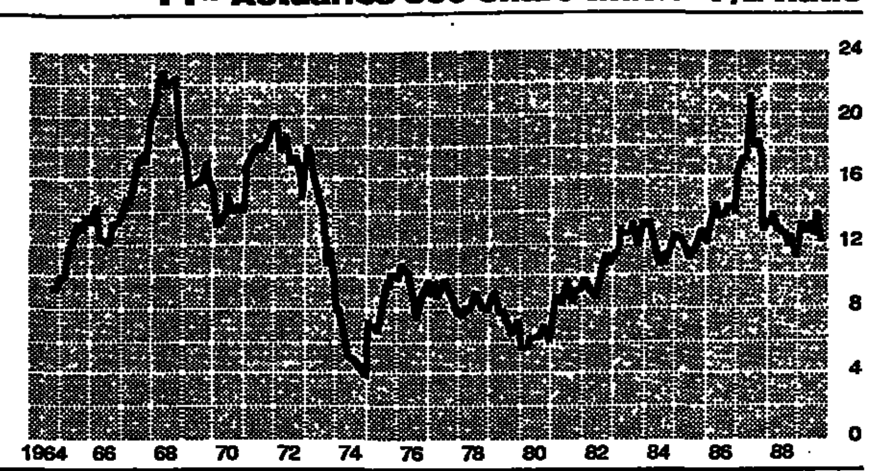
"The FT-SE 100 index will probably be at the same level as now, plus or minus five per cent, at the year end. Short-term it's more likely to come down 5-10 per cent.

"As a private investor, you'd have to be thinking very pessimistically to liquidate your portfolio completely — especially given the cost and problems of re-entering the market, and the potential Capital Gains Tax liability."

FT- Actuaries All-Share Index - Dividend Yield



FT- Actuaries 500 Share Index - P/E Ratio



Triskaidekaphobia

William Hall on how to avoid superstitions

IF YOU are even a little bit superstitious it is easy to be spooked by the stock market's recent gyrations.

This is the 13th year in a row that the London equity market has risen, and the recent drop in share prices was triggered by Wall Street's 7 per cent fall in the final hours of trading on Friday 13th. The Americans have even invented a word for the market's worries about the number 13 — triskaidekaphobia — and if the fact that some of the biggest falls in Wall Street's history have been associated with earthquakes is taken into account, then you can work yourself up into a very nervous mood.

However, unless you want to abandon all efforts at sensible investment decision-making and rely entirely on the neighbourhood astrologer, it is worth stepping back and looking at where the equity market has come from and how its current valuation compares with previous high and low points. The conclusions are far less exciting but should provide some modest reassurance for the small investor.

The current bull market began in October 1976 when the FT-A Allshare index stood at 116. Inflation was running at over 15 per cent, the yield on 2½ Consols was 15.7 per cent and equities were yielding 8 per cent. From then until the market's peak of 1238.57 in July 1987, share prices rose more than ten fold and even after the recent setback equities are only 11 per cent below their all-time high.

There has never been an upwards move of this length or magnitude in the modern history of the stock market. One has to go back to the Second World War, when the FT 30 index rose between 1940 and 1946, to find such a benign period for equity investors. In past bull markets, it was rare for share prices to rise for more than three straight years in a row and until the present run began share prices had fallen in almost as many years as they had risen since the FT began compiling its stock market statistics.

The reasons for the rise are not hard to explain. Long-term interest rates have fallen by 40 per cent, inflation — despite its recent uptick — is running at less than a third of its peak in the mid-1970s, and the share of profits in gross national production has risen dramatically. The corporate sector has enjoyed a huge bonanza and this has been reflected in the price earnings ratio on the FT-A 500 which has risen from 7.1 to 12.1, currently, and a near halving in the average dividend yield.

In only one year (1981) have profits actually fallen and although 1983 and 1986 were years of very modest profit growth, corporate earnings have risen by an average of 13 per cent a year since 1978. This has been more than matched by dividend growth.

Against this rather heady backdrop, investors have to decide whether the current market valuations adequately reflect the risks of continuing to invest in equities.

The historical comparisons are reasonably reassuring, but when it comes to looking at the future for corporate dividends and earnings, the outlook becomes a bit more murky.

The current yield of 4½ per cent on the FT All-Share is below the long-term average of around 5 per cent but is above the 4¼ per cent average of the last five years. Long term comparisions of equity yields are always dangerous since inflation in the 1970s was considerably higher than it is today. However, S.G. Warburg says that the peak yield on the FT All-Share index was 13.2 per cent in late 1974 and it hit a low of 2.78 per cent in July 1987.

As a general rule of thumb when the market is yielding over 5 per cent it is reasonably cheap and when it is yielding under 4 per cent it is expensive. On the eve of the 1987 market crash it was yielding just 3 per cent, which with the benefit of hindsight seems grossly out of line especially now that the British economic miracle seems to be evaporating.

In terms of historic price earnings multiples the market also does not look particularly out of line. In the golden days of the 1960s, the market was often selling on 17 times earnings.

Warburg's says that the historic multiple has ranged from a high of 21 in July 1987 to a low of 3.7 in December 1974. But more recently the market has traded between 10 and 14 times historic earnings, and the current 12 times earnings is bang in the middle of Warburg's long-term range.

Another handy tool for valuing equity prices is the yield ratio, which is the yield on gilt-edged dividend by the yield on the FT All-Share index.

However, using the yield on 2½ Consols over the FT All-Share, equities are generally regarded as cheap when the ratio drops below 2 while once it gets above 2¼ equities are beginning to look expensive. For comparison, the yield ratio on the eve of the 1987 crash was 3.1, while it is now 2.1.

However, equity prices are driven far more by perceptions of the future than by past experience and while historical p/e ratios might look reasonable, prospective p/e's are much more suspect.

Most analysts have been shading down their profit forecasts.

Put into perspective

Andrew Hill examines the market's performance

ANALYSIS OF the market's performance since its high point in early September seems to put Monday's market correction in perspective. It was not the great crash that had been feared last weekend. Indeed, the most telling influences on equities since September have been bids — launched, recommended and failed — and the continuing impact of high interest rates.

Merchant bank stocks, for example, which predictably showed the second largest percentage fall on Monday, have proved more resilient than all but four other sectors since the market peaked. That is partly due to bid speculation surrounding Morgan Grenfell — one of the five best performing shares in the market — and partly to the apparent health of the corporate finance sector before this week's squally market. Continuing weakness, of course, is likely to put a damper on all but the fieriest predators.

The FT-Actuaries Indices were led down by property companies, stores, electricals groups and food retailers. Three of the five worst FT-SE 100 shares — Asda, Burton and, back up the production line, Cookson — are suffering from the retailing downturn. In the market as a whole, Lowndes Queensway, Dixons and Amstrad carried the can for retail and electricals groups.

However, to the surprise of some industry analysts, the three insurance sectors have proved to be the most resilient since the stock market peaked on September 5.

BEST AND WORST PERFORMING STOCKS AND SECTORS

From the market peak on September 5 up to close of trading on Wednesday October 18

SECTOR	% FALL
FIVE WORST	
Property	-17.7
Stores	-16.9
Electricals	-16.5
Food retailing	-16.0
Mechanical engineering	-15.6
FIVE BEST	
Insurance (brokers)	-0.1
Insurance (composite)	-1.6
Insurance (life)	-3.4
Oil and gas	-4.0
Merchant banks	-4.2

Source: FT-Actuaries Share Indices.

FT ALL SHARE	-10.9
FT 500	-11.1
FT-SE 100	-10.2
FT 30	-12.4

ALL COMPANIES

FIVE WORST	% FALL
Lowndes Queensway	-41.5
A. Goldberg	-38.8
VPI	-37.1
Dixons	-36.5
Amstrad	-36.4
FIVE BEST	**% RISE**
Jaguar	+86.1
James Neill	+27.0
Pearl Group	+23.7
Aitken Hume	+20.7
Morgan Grenfell	+18.4

FT-SE 100 COMPANIES

FIVE WORST	
Asda Group	-31.4
Burton Group	-27.7
STC	-23.5
Pilkington	-21.7
Cookson	-21.4
FIVE BEST	
Maxwell Communication	+8.8
Polly Peck	+8.2
Commercial Union	+4.5
Royal Insurance	+1.1
Guardian Royal Exchange	+0.4

Source: Datastream

So which companies were the big winners as the market balloon deflated? Jaguar topped the league of all companies. Its share price soared last month when Ford announced it wanted 15 per cent. As the market closed on Wednesday night it was still 86 per cent up, in spite of falling back 10 days ago when General Motors revealed it too was interested in buying a chunk of the UK group.

On the FT-SE 100 index, the strong performance of Maxwell Communications Corporation — one of only five Footsie stocks to rise since September 5 — was most notable. An unbeaten 8.8 per cent rise suggests that publisher, Mr Robert Maxwell, for so long regarded as a maverick by the markets, is beginning to work his spell again — or perhaps investors are reassured by evidence that his son, Kevin, may be taking a larger role in the management of the empire.

The biggest losers over the last month do not appear on the table. They were Sharp & Law, the shopfitter, and Talbex Group, a contract filler of consumer aerosol products. Their shareholders already know the worst: both companies have called in the receivers within the last 10 days.

FINANCE & THE FAMILY

Water stays afloat

VOLATILE stock markets have a tendency to dampen private investors' enthusiasm for government flotations. Witness the disastrous British Petroleum offer, which straddled the 1987 crash. Despite the market slump, about 270,000 people still applied for BP shares – a group now described by flippant marketing executives as the most valuable mailing list in Britain.

They may be among more than 3m who have now registered to receive a prospectus for the privatisation of the water industry. Those undeterred by the delicate market and wishing to be eligible for incentives have until November 15 to register with the share office in Bristol, it was announced this week. Potential investors also learnt that the pathfinder prospectus, which will contain most of the essential industry information but not the common stock price, will be published on November 3.

Government advisors are phlegmatic about the possible impact of this week's jittery market on the controversial flotation, which should take place on November 22. Institutions and analysts are still recommending the purchase of water company stocks, with their reliable core business, as a hedge against the volatility of the rest of the market. In addition, if the government cuts the offer price because of market conditions, the average yield of the 10 companies could improve to more than 8 per cent.

In fact, the slide in share prices since their peak on September 5 has not hit privatisation stocks particularly hard. Private investors hung on to their British Telecom shares and the stock was sixth in the league of FT-SE 100 best-performers, slipping just 0.56 per cent between the peak and Wednesday's close. Both British Gas and Abbey National, a non-privatisation stock with a large number of individual shareholders, were in the top 10.

■ The Water Share Information Office, PO Box 1, Bristol BS99 1BW (tel. 0272-272-272).

Andrew Hill

The Week Ahead

ICI's profits have that stagnant look

IMPERIAL Chemical Industries is not likely to have shown much, if any, year-on-year growth in pre-tax profits during the third quarter. When it reports for the period on Thursday, analysts expect a result of around £350m, compared with £347m last time. This would bring the nine-month outcome to about £1.27bn, against £1.13bn in 1988.

Seasonal factors perennially depress the company's performance during the third quarter. But the decline in demand for petro-chemicals and plastics is thought to have been particularly marked this time, and there will also have been lower pricing in certain key product areas. Pharmaceuticals will have been the bright spot during the period.

□ Lucas Industries, the automotive, aerospace and industrial group, should reveal the continuing benefits of its rationalisation programme when the annual results are announced on Monday. The company is expected to report a lift in pre-tax profits to between £185m and £188m, against £148.3m in the previous 12 months.

The automotive sector is seen by the City as holding most promise as the company receives further benefits from its cost-cutting programme. Forecasts for operating profits in the division reach as high as £126m, compared with £106m last year.

There is less confidence among forecasters about likely returns from the aerospace sector, which was disappointing in the first half. Operating profits are expected to come-in at between £42m and £45m, compared with £42m last year.

□ McKechnie, the metals, plastic and consumer products group, is expected to announce a pre-tax profit of between £37m and £38m, compared with last year's £34m, when it reports its results for the year to July 31 on Monday.

In metals, the company should at last be reaping the benefit from its new West Midlands brass extrusion factory; while in plastics, faith built on increasing contributions to turnover and profit should be borne out.

However, both metals and plastics may be running into more difficult times as suppliers to such sectors as building and automotives.

Consumer products has already had its problems – hence the May sale of a kitchen and bathroom accessories subsidiary. And it will be interesting to see how DIY products have fared. With the UK looking more difficult, attention will also be focused on the quality of the overseas cushion.

□ Wolseley, the plumbing and building services group which last year turned over £1.3bn and made a pre-tax profit of £97.8m, was described by one analyst as being an exception to his "sell builders' merchants" rule – the main reason being the strength of its US operation.

The results to be announced on Tuesday are expected to show profits of between £113m and £116m for the year to July 31, with the US – particularly the Californian operation – improving on last year's 31 per cent contribution to trading profit.

Anxiety focuses inevitably on slackening demand in the UK building and home improvement markets; and, in the manufacturing division, on the degree to which margins are being squeezed by harsher economic conditions.

□ Analysts expect few fireworks to accompany the announcement of property group Hammerson's results on Monday. Having seen-off a £1.3bn bid from the Dutch Rodamco group earlier this year – after Standard Life, the Scottish institution, raised its stake in Hammerson from 18.8 per cent to 28.8 per cent – there may be some continued pressure on the group to show that fresh vigour in managing its assets, with greater emphasis on trading profits, continues.

But the first tranche of the River Plate House sale proceeds inflated trading profits last year, and forecasts for next week's interims suggest an overall pre-tax profit in the £30m-£32m range, with trading profits contributing perhaps £5m.

□ The results from St Ives, the magazine, book and security printing group, on Tuesday are expected to show how well the company is weathering the tougher conditions in the magazine advertising market. The group is likely to report pre-tax profits of between £27.5m and £28m for the 12 months to July 31, compared with £22.04m in the previous year.

The result will reflect the company's ability to maintain margins across the board in its range of printing activities – and improve them at Burrups, which has proved troublesome since its acquisition in October 1987.

Directors feels that the technical advantages the company holds over some its competitors in producing high-quality magazines might allow it to increase market share if the pressures on the industry continue to intensify.

□ Interim results being announced by B. Elliott on Wednesday will show whether the engineering company is on course to more than double its full-year profits to about £9m. The company should still be benefiting from astute weeding, while making new gains from acquisitions designed to strengthen the non-machine tool, non-South African activities. Progress on improving margins will also be examined closely.

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
Allied London Properties	Monday	0.9	1.85	1.075
Alva Investment Trust	Wednesday	1.3	1.3	0.5
Barratt Henry Group	Wednesday	1.1	2.3	1.65
British Assets Trust	Thursday	0.625	0.7	0.8††
Clydesdale Investment Trust	Friday	0.5	2.25	0.5
Cooper Frederick	Tuesday	1.1	2.15	1.35
Ensign Trust	Tuesday	0.3	0.9	0.3
GC Flooring & Furnishing	Friday	0.8	1.2	0.9
Govett Strategic Invest. Tst.	Friday	1.4	2.9	1.5
Investors Capital Trust	*Thursday*	3.4	4.0	4.1✠✠
Kalamazoo	Thursday	0.5	1.5	-
Lucas Industries	Monday	6.0	15.0	7.0
Majedie Investments	Thursday	2.0	4.5	2.0
Mckechnie	Monday	3.8	9.45	5.0
National Homes Loans Hldgs.	Thursday	3.26	3.75	3.26
Overseas Investment Trust	Wednesday	0.5	1.36	0.7
Pegasus Group	Thursday	2.25	5.25	3.38
Pict Petroleum	Monday	-	-	-
Pressac Holdings	*Tuesday*	*0.5*	*1.25*	*0.5*
Prestwick Holdings	Monday	-	1.0	0.5
Rand Mines	Thursday##	105.0	345.0	120.0
Rand Mines Properties	Tuesday##	30.0	90.0	40.0
Scottish Metropolitan Prop.	Tuesday	2.0	3.1	2.25
Shandwick	Tuesday	2.0	5.5	2.67
Star Computer Group	Friday	-	1.5	-
St. Ives Group	Tuesday	0.75	2.25	1.25
Wolseley	Tuesday	2.3	6.7	2.8
INTERIM DIVIDENDS				
Airflow Streamlines	Thursday	2.0	4.0	-
Amer Group	Monday✠●	2.00	7.00	-
Atlantic Resources	Wednesday	-	-	-
BMSS	Monday	1.75	2.25	-
Borland International	Monday	-	-	-
Boxmore International	Tuesday	-	-	-
British & American Film.	Monday	2.375	5.05	-
Brown N Group	Thursday	1.5	3.5	-
Central & Sherwood	Friday	-	-	-
Centreway Trust	Monday	-	1.5	-
Channel Tunnel Investments	Thursday	-	-	-
Chepstow Racecourse	Tuesday	-	1.0	-
Clayton & Son & Co Holdings	Friday	2.2	8.3	-
Craig & Rose	Friday	2.0	11.2††	-
Delyn Packaging	Friday	0.45	1.0	-
Densitron International	Tuesday	0.7	1.65	-
Diamond Group Holdings	Monday	-	-	-
Elliott B.	Wednesday	1.1	2.6	-
English National Invest. Co.	Wednesday	4.15	8.85	-
ERA Group	Friday	1.0	1.75	-
Ferguson Industrial Holdings	Friday	3.75	7.75	-
Fleming Universal Invs. Tst.	*Thursday*	*0.6*	*2.2*	-
FR Group	Tuesday	1.94	3.6	-
Hammerson Prop Inv & Dev Corp.	Monday	3.0	14.0	-
Hopkinsons Holdings	Friday	1.0	1.165	-
Ingham George & Co.	Tuesday	1.0	2.0	-
Jacob W&R	Wednesdy©©	2.8	6.0	-
Lanca	Friday	0.75	1.1	-
Mezzanine Capital & Income	Wednesday	2.75	5.0††	5.9
Moss Bros Group	Thursday	1.0	3.0	-
NEC Corporation	Friday#	4.5	4.5	-
New Throgmorton Trust	Friday	2.2	4.75	-
Philips Lamps Holdings	Thursdy©‡‡	0.80	1.40	-
Plastiseal	Wednesday	-	-	-
Polymark International	Tuesday	-	-	-
Radamec Group	Friday	0.5	0.5	-
Shiloh	Wednesday	0.875	1.5	-
SKF AB	Thursday©†	-	14.0	-
Sotheby's Holdings	Wedn.©§§	0.625	0.625	0.05
Toshiba Corporation	Thursday#	4.0	4.0	-
Upton & Southern Holdings	Wednesday	-	2.5	-
Usher-Walker	Wednesday	3.0	7.0	-
Value & Income Trust	*Tuesday*	0.725	*1.0*	-
Vivat Holdings	Tuesday	-	-	-
Walker Greenbank	Wednesday	1.0	1.25	-
Waverley Mining Finance	*Friday*	-	-	0.5**

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.✠ Gross per share.● Finnish markka.© 3rd quarter figures.‡ Dutch guilders.† Swedish krona.# Japanese yen.** Special interim dividend for 14 months to 31/3/89.§§ Quarterly dividends in US cents.✠✠ 1st quarterly dividend.†† 2nd interim dividend.©© Irish pence.## South African cents.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
Prices in pence unless otherwise indicated.					
Accord Publ.‡	33*	31	98	2.20	Pentland Group
Armstrong Eq.	180*	178	176	95.80	Caparo Inds.
Broadcast Comms.	330*	318	343	11.72	G'dian Man.News
Caradon	525§§	508	488	322.5	MB Group
DRG	590*	580	595	697.00	Pembridge Invs.
ITL Info. Tech.	42	41	25	13.11	Apricot Comp.
Lynx Group‡	3	7	12†	0.95	Lynx Holdings
MIL Research	295*	291	288	33.2	MAI
Meat Trade Suppl.	359*	363	430†	9.18	Twigrealm
Medminster‡	147½††	138	108	11.33	Expedier Leis.
Neill (James)	280*	268	202	77.76	Markoller
Oceana Devel.	♣§	285	278	15.9	Symphony Corp.
Pearl Group	605*§	648	552	1.1bn	AMP
Red Funnel‡	260††§	255	243	28.47	Assoc Brit Ports
Silkolene	645*	635	430	28.1	Fuchs Petrolub
TR Energy‡	24††	21	22	24.2	Europa Minerals
Textured Jersey‡	218*	215	185	8.7	Charlechall
Toothill (R.W.)	675*	665	469	4.72	Adamas Inds.
UCL Group‡	44††	46	60	4.01	Ferrari Hldgs.
Utd. Scientific	122	139	147	68.23	Meggitt

*All cash offer.††Cash alternative. ‡Partial bid. §For capital not already held.‡Unconditional.**Based on 2.30pm prices 20/10/89.†At suspension. §§Shares and cash. ♣Offer is 296p for each stock unit registered on the London Stock Exchange and R18.53 for each stock unit registered in S. Africa.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Alba	June	4,080	(4,610)	7.42	(10.8)	4.35	(4.35)
Allied Rests.	July	959	(805)	5.07	(5.32)	1.65	(1.5)
Amstrad	June	76,600	(160,400)	9.01	(19.0)	1.4	(1.4)
Attwoods	July	20,020	(14,710)	22.1	(20.4)	8.0	(7.0)
Beazer	June	142,500	(114,700)	27.4	(22.9)	7.5	(6.35)
Castle Comms.	June	1,790	(1,050)	28.5	(18.5)	8.5	(7.2)
Cradley Group	June	1,870	(1,680)	3.7	(3.2)	1.0	(0.9)
Fisher Albert	Aug	44,970	(33,311)	8.26	(6.71)	2.75	(2.25)
Highland Dist.	Aug	19,500	(14,234)	10.3	(7.5)	3.85	(2.82)
Kingston Oil	June	921	(1,330)	10.4	(11.1)	1.56†	(1.75)
Manganese Bronze	July	5,630	(5,220)	23.1	(21.8)	7.5	(6.0)
Molyneux Estates	June‡	4	(216)	0.04	(0.9)	-	(-)
Norex	June	2,370	(473 L)	1.41	(0.11)	-	(-)
Paterson Zoch.	May	23,390	(24,220)	30.1	(29.4)	8.6	(7.8)
Ramus Holdings	June	1,260	(1,030)	19.5	(12.9)	7.5	(7.0)
Regentcrest	Apr	1,540	(3,870)	2.07	(4.88)	0.5	(1.5)
Synapse Computer	July	1,100	(1,160)	20.2	(21.3)	3.7	(3.37)
Thorntons	June	10,090	(7,550)	10.2	(8.67)	2.5	(-)
Trace Computers	May	1,710	(1,020)	9.96	(5.94)	-	(-)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Aitken Hume	Sept	1,450	(686)	-	(-)
Ambassador Security	June	272	(182)	-	(-)
Banner Homes	June	*168*	*(1,340)*	*0.8*	*(1.1)*
Beradin Holdings	June	114	(254)	-	(-)
Bisichi Mining	June	75	(72)	-	(-)
Blue Arrow	July●	18,490	(18,980)	-	(-)
Boosey & Hawkes	June	875	(698)	3.3	(3.0)
Boot Henry & Sons	June	1,550	(1,250)	6.0	(5.5)
Bridgend Group	June	177	(176)	0.35	(0.25)
Broadstoner Holdings	July	6,600	(4,700)	-	(-)
Chesterfield Props.	June	6,290	(5,422)	6.5	(6.0)
Cohen A	June	2,130	(1,920)	6.6	(6.0)
Davies & Newman	June	7,680 L	(1,390 L)	4.5	(4.5)
Derwent Valley Hldgs	June	2,400	(1,690)	2.5	(1.5)
Downiebrae Holdings	June	278	(184 L)	-	(-)
Edinburgh Inv. Tst.	Sept	17,990	(14,650)	2.5	(2.15)
Elswick	July	647	(923)	0.2	(0.15)
Emmet R&J	June©	184	(390)	-	(-)
Farnell Electronics	July	12,980	(11,930)	2.1	(1.8)
First Charlotte	Sept	147	(104)	-	(-)
Forward Group	July	384	(717)	1.0	(1.0)
Geers Gross	June	161	(147)	-	(-)
Gerrard & National	Sept	n/a	n/a	3.0	(3.0)
Harding Group	June	521	(574)	1.1	(1.1)
Hawker Siddeley	June	93,200	(80,600)	10.0	(8.4)
Headlam Group	June	388	(566)	0.75	(0.75)
House of Lerose	June	605	(529)	3.0	(3.0)
Hunting	June	17,800	(12,300)	3.5	(2.2)
Jackson Group	June	1,270	(790)	1.0	(0.65)
London & Assoc. Invs	June	431	(287)	0.05	(0.15)
London Atlantic Inv.	Sept	743	(657)	0.63	(0.58)
New Ireland Holdings	June✠	1,270	(1,680)	3.0	(-)
Padang Senang Hldgs.	June	5 L	(98)	-	(-)
Pergamon AGB	June	700	(5,500)	1.5	(1.5)
Petrocon Group	June	511	(108)	0.5	(-)
Power Corporation	June✠	3,620	(2,180)	1.8	(1.7)
Reebok	Sep●©	83,110	(61,990)	-	(-)
Roskel	June	1,420	(980)	1.3	(-)
Runciman Walter	June	2,650	(1,810)	6.0	(4.5)
Scottish Mortgage	Sep✠✠	7,790	(6,590)	1.1	(0.9)
Serif Cowells	June	74	(1,810)	1.5	(1.5)
Silvermines	June✠	4,140	(1,130)	1.5	(1.5)
Slingsby HC	June	291	(260)	2.0	(2.0)
Trans World Comms.	June	1,570	(679)	4.0	(2.0)
Tudor	June	264	(295)	1.0	(0.67)
Walker JO	June	49	(406)	2.0	(3.0)
Waterford Wedgwood	June✠	10,610L	(5,828 L)	-	(1.2)
Westerly	June	306	(352)	0.5	(0.5)
Whittington	June	151	(269)	0.2	(0.2)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.✠ Irish punts and pence.● 3rd quarter figures.† Total so far in current 18 month period ending December 31 1989.© US dollars & cents.‡ Last years figures for a 15 month period.✠✠ Net revenue.

RIGHTS ISSUES

Caird Group is to raise £34.5m via a rights issue of convertible preference shares.

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
Deposit account	4.50	4.60	3.66	monthly	1	-	0-7
High interest cheque	6.50	6.70	5.36	monthly	1	500-4,999	0
High interest cheque	8.00	8.30	6.64	monthly	1	5,000-9,999	0
High interest cheque	*8.40*	*8.70*	*6.96*	monthly	1	10,000-49,999	0
High interest cheque	8.80	9.20	7.36	monthly	1	50,000	0
BUILDING SOCIETY†							
Ordinary share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
High interest access	8.00	8.00	6.40	yearly	1	500	0
High interest access	8.25	8.25	6.60	yearly	1	2,000	0
High interest access	8.75	8.75	7.00	yearly	1	5,000	0
High interest access	9.00	9.00	7.20	yearly	1	*10,000*	0
90-day	9.00	9.20	7.36	half yearly	1	500-9,999	90
90-day	9.45	9.67	7.74	half yearly	1	10,000-24,999	90
90-day	10.00	10.25	8.20	half yearly	1	25,000	90
NATIONAL SAVINGS							
Investment account	10.75	8.06	6.45	yearly	2	5-100,000	1 mth
Income bonds	11.50	9.09	7.28	monthly	2	2,000-100,000	8 mths
Capital bonds	12.00	9.00	7.20	yearly	2	100 min.	*3 mths*
34th Issue§	*7.50*	*7.50*	*7.50*	*not applica*	3	25-1,000	8
Yearly plan	7.50	7.50	7.50	not applica	3	25-200/month	14
General extension	5.01	5.01	5.01	not applic.	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.86	11.42	9.14	monthly	1	2,500	0
Provincial Bank	11.05	11.59	9.27	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	12.42	10.31	9.04	half yearly	4	-	0
8pc Treasury 1992	11.94	9.83	8.56	half yearly	4	-	0
10.25pc Exchequer 1995	11.00	8.38	6.82	half yearly	4	-	0
3pc Treasury 1990	11.91	11.12	10.64	half yearly	4	-	0
3pc Treasury 1992	9.91	9.07	8.58	half yearly	4	-	0
Index-linked 2pc1992§§	9.65	9.14	8.83	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day: Immediate access for balances over £5,000.€ Special facility for extra £10,000 §Source:Phillips and Drew. §§Assumes 5.5 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic-rate tax.

Diary of a Private Investor

Don't say I didn't tell you

WHEN WALL STREET fell on *Friday, October 13, by 190 points*, I felt that my caution towards the market was about to be proved right, and we would see either a crash or, at least, a steady downward slide in share prices.

I have been pessimistic about the market for some time following the initial rise in interest rates.

I believe that high interest rates lead to an overvalued pound (which encourages cheap imports and hampers exports, making the balance of trade situation even worse). It leads to an inflow of "hot money" (the interest payments on which adversely affect our "invisibles") and increases borrowing costs to manufacturers, who then decide to cut back on re-equipping and expansion plans which make them even more uncompetitive.

British manufacturers then try to pass on their higher costs to consumers who, affected by increases in mortgage rates, then start industrial action for increases in wages — and so inflation increases, rather than decreases, and we head for an economic slump.

Thus, when Lawson pushed interest rates to 15 per cent early this month, I thought: "That's it. Britain has had it. What shares can I sell?".

I was pleased that I had sold many of my shares in property companies in June. Unfortunately, in early August, I used some of the proceeds from those sales to buy shares in companies like RMC group and Sycamore Holdings, which promptly started to fall in price. Should I cut my losses and sell? I felt increasingly queasy about the market as a whole.

It was possible to get high interest rates from the safety of a bank account — so why risk it on shares?

The events of Friday the 13th convinced me to sell many of my shares. Having predicted the crash of '87 and managed to take "avoiding action" just before the event, I was concerned that this time I had left it too late.

What if I tried to phone my *brokers on Monday morning* (October 16) and found all their phone lines engaged and so was unable to sell? At the weekend, I hand-delivered letters to my brokers with a list of shares I wanted to sell.

Early on Monday morning, I phoned my brokers. Had they acted on my written instructions? Well, no, the letters had gone to the post room! Full dealing hadn't started so I gave verbal instructions; my letters were rescued, and the shares sold.

When Wall Street went up, I thought it was just a "quick fix." This feeling was reinforced on Tuesday, when I looked at the US stock market indices. The American Stock Exchange Index and the NASDAQ composite index had

It's the Year of the Snake — bad for speculation, says Kevin Goldstein-Jackson

fallen. Only the Dow Jones Industrial Average had risen 88.12.

The Dow Jones index, although widely quoted, is based only on the shares of 30 companies. This made me wonder whether some sort of agreement had been reached over the weekend in the US, where support was promised to certain of the shares in that index so that it would go up, thus causing a change in sentiment.

Sentiment is a fickle thing. The market rallied in spite of bad news this week. There were problems with junk bonds; receivers called in to two British-quoted companies (Talbex and Sharp & Law); receivers appointed at Finlays; reports of a slump in profits at Amstrad and a number of other companies; and private building contractors seemed to be going to the wall in increasing numbers.

If property prices fall and interest rates stay high, then

what happens to the security underlying a 100 per cent mortgage on a £150,000 home if the property is only worth £130,000? Our trade deficit (and that of the US) still looks horrendous.

There are still enormous problems with Third World debt and the US has problems involving hundreds of billions with its savings and loan institutions. Hong Kong has considerable problems with China. Australia and New Zealand are heavily in debt. Japanese company valuations appear to be created in fantasyland.

To top it all natural disasters seem to be on the increase. In an FT article in November, 1987, I wrote: "I am also concerned at the level of earthquake activity reported in the US and Pacific regions . . Is it building up to a major disaster?"

Will the earthquakes this week in San Francisco and China lead to bigger quakes in the Los Angeles region and Japan?

Added to which, it is the Chinese Year of the Snake. The year began on February 6, and is supposed to be a good year for political *coups d'etat* and a bad year for speculation and gambling, and is quite often a year of natural disasters. Not that I believe in this sort of thing myself — but, if others do, then their sentiment will affect the market. And it's enough to make people run to the security of Swiss bank accounts.

I may well be proved completely wrong, and the market will continue to go up. I now have a much reduced share portfolio — but caution and high interest rates will make me very reluctant to increase it.

John Edwards looks at what's on offer following the base rate increase

Repayment mortgages - a flexible friend

THE 1 per cent rise in mortgage interest rates, announced by the Halifax following the recent increase in the base rate, has set the trend for other building societies. Several of them confirmed this week that they were putting up their standard rate to 14.5 per cent and it looks increasingly likely that the clearing banks will have to move their rates to around this figure. Indeed on Friday Barclays raised its mortgage rate to 14.75 per cent, which is comparable with 14.5 per cent charged by building societies on repayment loans because of the different way of computing interest.

Some societies have tried to soften the blow by offering fixed-rate mortgages at lower levels or special terms for new borrowers. National & Provincial, for example, has put aside £50m for mortgages at a fixed rate of 12.95 per cent for three years. Shorter-term fixed-rate home loans, at 13.5 per cent are being offered by Scarborough and Norwich and Peterborough societies, while Lambeth has an unusual deal in giving a special rate of 13 per cent on new loans of over £30,000 and guaranteeing that the interest rate will remain 1.5 per cent below its standard rate for the first 12 months.

Cheltenham & Gloucester is holding down its base mortgage rate for new borrowers to 13.5 per cent, while increasing the cost to existing borrowers by 1 per cent to 14.5 per cent.

Andrew Longhurst, managing director, says the society is adopting a "simple, straightforward approach to attracting new business." But one wonders what existing borrowers will think of effectively subsidising new borrowers. An argument in favour of the two tier structure is that the lower rate will particularly help first-time buyers, who are the main influence in fuelling the housing market and keeping values up for everyone. But those paying more may not take such a dispassionate view and may be tempted to move elsewhere.

Northern Rock is adopting the same policy. For new borrowers the old rate of 13.5 per cent will apply at least until next February. But existing customers, who find difficulty in meeting the new rate which has been put up to 14.75 per cent, will be given the option of maintaining their existing monthly payments by extending the repayment period. This is fairly simple with straight repayment loans, but could be complicated and expensive for those with so-called endowment or pension mortgages.

Over the past few years the number of straight repayment mortgages taken out has dropped dramatically and the banks and building societies have persuaded many borrowers to switch to endowment mortgages. The real reason for this change is, of course, that the lenders receive commission on the endowment or pension policies that are used as the repayment vehicle and this provides them with a valuable extra source of income. But they were able to claim, when interest rates were lower, that the combined payment of interest on the loan and the premium on the endowment policy, were lower than the monthly amount of interest and capital, plus a mortgage protection policy premium, needed for a repayment mortgage.

However this does not apply when interest rates move to higher levels. Then endowment mortgages become considerably more expensive, as shown in accompanying table.

While it is true that interest rates are unlikely to stay so high for very long, there is a strong body of opinion that believes the borrowing of money to buy your home should in any event be separated from the method of repayment. Your property provides the collateral for the loan and it is really the borrower's prerogative on how it should be repaid. It is icing on the cake for the lender to earn commission on providing the borrower with a savings plan that could be taken out quite separately, probably at a much cheaper cost.

With the pressure on, many borrowers and especially first-time buyers may want to have a straight repayment mortgages. But beware. You may have to shop around, or be ready to have a battle on your hands. With repayment mortgages, the societies earn much less commission on the mortgage protection policy, so they will strongly plug the endowment alternative or pretend repayment loans no longer exist.

Nevertheless at the moment there is an irrefutable argument that repayment mortgages are cheaper and a great deal more flexible.

REPAYMENT/ENDOWMENT MORTGAGES

(Male aged 35/ Female 30 — £50,000 over 25 years)

	10.5%	12.5%	14.5%
REPAYMENT			
Capital/Interest	£422.55	£482.50	£544.50
Mortgage protection	£21.35	£21.35	£21.35
Total monthly outlay	£443.90	£503.85	£565.85
ENDOWMENT			
Interest only	£371.88	£442.71	£513.55
Endowment policy premium	£68.00	£68.00	£68.00
Total monthly outlay	£439.88	£510.71	£581.55

Source: Royal Trust of Canada

Keen launches a unit trust

STOCK MARKET crashes inevitably dent investor confidence, whether they are investing directly in shares or indirectly through unit trusts. So was this week really the right moment for Laurence Keen, the private client stock broking firm, to launch its first unit trust, an income and growth fund which will invest mainly in the UK, and its accompanying Personal Equity Plans?

Mark Powell, chief executive, said that the original idea was to "pick stocks, not sectors" and to look for the "good value in beta stocks, in other words grown-up companies which are doing rather well and are not subject to takeover rumours."

Laurence Keen previously had close links with the Framlington stable of funds (dating from the time when Laurence Keen was part of Laurence Prust, the group which controlled Framlington: following its "demerger" in 1986, when Laurence Keen kept the private client business and decided to branch out into the unit trust field itself).

Powell claims that for many fairly wealthy investors there is a strong capital gains tax case for investing through a unit trust. "Typically our clients are hemmed in by capital gains tax: for many of the blue chips, you find that going back in time they have overtaken inflation, and despite indexation clients end up exceeding their annual exemption and then they have to pay CGT."

The Laurence Keen Income and Growth Fund is pitched at the small investor with a minimum investment of £1,000. Normally, Laurence Keen stipulates a minimum of £50,000 for its private client discretionary business. Powell says that for such existing clients, the unit trust could be used to allow limited exposure to "unusual or unmarketable (ie, beta) stocks", rather than taking the risk of putting a large chunk of these shares straight into a private client's portfolio.

There is an initial charge of 5.5 per cent, and an annual management charge of 1 per cent. The PEP is either an accumulation plan or income plan. With the income plan, investors can withdraw 5 per cent of the amount invested (in two equal half-yearly instalments). Investors can put £2,400 in unit trusts or investment trusts into the PEP and top it up with shares. The initial charge is 1 per cent, and the annual charge is 1 per cent (which is reduced to 0.5 per cent for any part invested in the Laurence Keen Income & Growth fund).

Sara Webb

Try the money markets

WITH INTEREST rates at high levels and stock markets in a volatile state, this could be the time for investors to consider switching into money market funds. These are attractive for several reasons. Their yields are competitive and the charges are relatively low; most of the funds have no initial charge, an 0.5 per cent annual management fee and a single price (in other words, there is no *bid-offer* spread). Some fund management groups offer special switching *discounts if you use the money* market trust as a resting place for your money in between investing in equity trusts.

A further advantage which unit trust groups have spotted — and which could lead to the launch of more cash funds — is the fact that non-taxpayers can reclaim the tax paid on unit trust dividends, whereas they cannot do so with a building society account.

The Savings Corporation's Harbour fund, which is one of a small handful of cash or money market unit trusts, invests only in building society deposits and allows you to reclaim the tax you would otherwise have to pay on such deposits. This is because unit trusts pay corporation tax (rather than composite rate tax) on this form of deposit. The tax paid by the trust can be reclaimed by investors using the tax credit issued with the dividend.

With the independent taxation of married couples due to come into force next year, investments which pay gross of tax are in demand. A married woman with no earnings, but with unearned investment income (such as that from a unit trust), will have a personal allowance of her own under the new system and will be able to reclaim tax up to this limit.

Providence Capitol expects its new Money Market trust to appeal to pensioner-couples who have investment income and unused tax allowances. The group has deferred the first income payment on the trust until June 1990 in the hope that it will not be taxable until the new rules come into force.

Providence Capitol quotes the example of a couple where the wife has £30,000 invested in a UK deposit account yielding 13 per cent, and the husband pays *some income tax at 40 per* cent. In 1989-90, the net dividend received after deduction of higher rate tax will be £2,340. In 1990-91 (if one assumes no change in present tax allowances), the wife's allowance will reduce the tax liability on the interest, giving a net yield of £3,621.25. This is 55 per cent higher than in the previous year.

This feature could make money market trusts more popular. The only other ways of getting a return gross of tax are through National Savings products, by buying gilts through the National Savings stock register, or by investing in an offshore fund.

The minimum investment for money market funds varies. Fidelity's Cash Unit trust requires a minimum of £1,000; but for the two Savings Corporation funds (the Harbour fund and the City Reserve fund) and the Providence Capitol Money Market trust, you can get in with £500 and £250 respectively.

Some fund management groups were quick to promote their cash funds when the stock markets fell on Monday, fearing that they could lose clients if there was a stampede out of equities. Fidelity advised investors in its equity trusts to switch into the Cash fund instead. Gartmore decided on Monday to allow its investors to switch out of equity funds into its Money fund.

Savings Corporation's aim with the Harbour fund was to provide an investment which would compete with building societies for the cash part of the portfolio, and allow investors to switch out of equities

When the rules for money market trusts were introduced, the industry found it was almost impossible to generate a yield that would compete with building societies because *of the way they would be* taxed. An alternative form of trust has evolved, using a restricted list of assets, which attracts a more favourable tax rate.

This is the type of fund set up by Fidelity. Its Cash Unit trust invests in bank deposits and some short-dated gilts. These are all short-term investments, with the longest maturities at just over three months. The fund has been fortunate in its timing, with interest rates generally — *and* short-term rates, in particular — at very high levels.

Trusts with a wider permitted range of assets can move in and out of a range of vehicles, taking advantage of interest rate differentials to protect the fund in adverse conditions. The more aggressive range of investments, though, attracts higher tax rates. Such a fund would also be riskier. It might, for instance, use gilts to guard against falling interest rates, *with an increase in dealing* costs and a capital risk.

Most money market funds, although they have to carry a warning that "unit prices can fall," should protect investors' capital from erosion while interest rates continue to remain well above the level of inflation.

Christine Stopp

HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1989 High	1989 Low	
FT-SE 100 Index	2179.1	-54.8	2426.0	1782.8	Wall Street's setback
BAT Industries	778	-40	943	447	Bid sector shakeout
Britannic Assurance	540	+30	542	319	Takeover spec/7.3% stake in Refuge
Cable & Wireless	492	-31	614	365	Brokers downgrade
Carlton Comms.	803	-41	958	662	Recession fears/roadshows cancelled
Dixons Group	110	-10½	174	98	Brokers' downgradings
Jaguar	696	+19	741	264	Continued bid speculation.
Legal & General	351	+10	377	288½	18% rise in new business/firm lifes
Lloyd Thompson	245	+17	245	189	Hopes of increased insurance rates
Maxwell Comms.	211	+11	231	167	US buying on Berlitz flotation plan
Racal Telecom	343	-30	557	158	Wall Street influences
Refuge Group	626	+62	628	429	Athena lifts stake to 9.34%
Saatchi & Saatchi	312	-22	421	262	Brokers' downgradings
Toothill (RW)	665	+200	665	410	Agreed bid from Adsmas
Whitbread A	359	+10	409	299	Plan to sell spirits business

FINANCE & THE FAMILY

Sara Webb investigates courses designed to help private investors

Taking stock of the markets

THE LATEST turmoil in the stock market certainly has emphasised the need for private investors – particularly the first-timers, who were wooed into the market with privatisation shares – to be well aware of what is going on. So, what can you do if you want to learn more about the stock market and how to invest?

If you thought evening classes were for learning the art of flower arranging or etching, think again. Small investors who want to learn more about the Stock Exchange, and how to make money out of their shares, might enjoy the public evening classes which the exchange runs regularly.

Who goes? Well, there were a couple of striped shirts in the audience but most of the students were middle-aged and clearly interested in learning more about how to tackle their stockbroker, as well as relishing the chance to gossip about their share portfolios during the coffee break.

To the superstitious students among us, it might have seemed inauspicious to start a series of evening classes on share investment in the very same week the market lost its confidence. But in the words of lecturer Colin Smart, a private client broker with A. J. Bekhor & Co: "There's nothing more interesting than the market at the present time."

Smart's theories on how to deal with your broker and your shares could be summarised thus:

□ Most people have a stupid reverence for stockbrokers which is undeserved. Forget your inferiority complex.

□ Try to listen to your broker. He might be happy to chat to you but he could be busy and want to answer only briefly.

□ Be precise when talking to your broker and return all documents on time.

□ Be careful – the majority of people who love shares are just hooked on gambling.

□ Very few people can be persuaded to sell. Better to sell too soon than too late.

□ Don't be tempted to hang on to a bad share. If it falls 10 per cent, think seriously of selling unless there is a very good reason for hanging on.

□ Realise that capital gains come slowly; avoid speculating; and don't withdraw money from your portfolio to lavish on a new car.

□ Be wary of having gamma stocks in your portfolio (because they are less liquid and, therefore, more difficult to sell quickly.

□ Never invest money in a partnership or private company unless you are sure you don't want that money back.

□ Remember that a tip will last a week and move the market short-term. Long-term, forget the tips.

□ As a private investor, you have to be prepared to do a lot on your own. With a few thousand pounds, you *should* do a lot of it yourself.

□ It's crazy to invest £100 in the stock market and pay £25 commission to a broker. You shouldn't be in the stock market if that is the kind of money you're prepared to put in.

□ Go to one of the big banks if you want a cheap dealing service and don't require valuations, advice or any services. But if you do require these services, check first with your broker about what he charges in minimum fees and commission rates.

"Apart from that," Smart says, "I hope you enjoy investing; it's a fabulous hobby."

If you want to find out about other courses and seminars on investment, write to the following for further details:

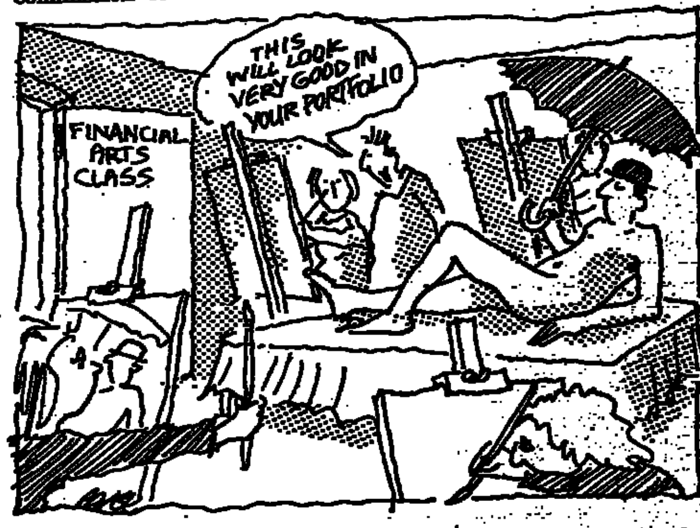
□ The Stock Exchange runs evening classes on Principles of Investment (cost £40) and Aspects of the Securities Market (£95) once a week for eight weeks.

The Principles of Investment course is aimed at private investors who want to learn more about the exchange and how to make more profitable investments.

There are lectures on the different types of shares; dealing with the documentation and the mechanics of investing; the tax implications of investing in shares; your investment strategy in the short and long term; personal equity plans; how often to review your investments; and how to assess a company's prospects.

The course also provides printed information from the Wider Share Ownership Unit at the Stock Exchange.

Aspects of the Securities Market is for anyone who wants to learn about recent developments in that sphere. It covers subjects such as unit trusts, traded options, and rights and bonus issues.



Details can be obtained from Sarah Naylor, International Stock Exchange, Old Broad Street, London EC2N 1HP (tel. 01-588-2355 ext. 29059).

□ The City University Business School runs the Registered Representative and Trader course and the Securities Industry Diploma courses for the Stock Exchange.

The courses can be taken either in the form of evening classes (two evenings a week for 11 weeks) or through home study packs. They are definitely for those who incline more to the technical side of things and they end with examinations.

The Registered Representative and Trader course is open to anyone who wants to learn about the stock market or who wants to become a representative or trader on the Stock Exchange.

The syllabus covers the regulatory environment in the UK; the Securities Association's conduct of business rules; dealing and settlement; types of securities and their issue methods; accounting analysis and corporate tax; and investment advice and taxation. The evening course costs £350 while the home study pack is £180.

The Securities Industry programme covers the bond and fixed interest markets; regulation and compliance; financial futures and options; private client investment advice and management; fund management; investment analysis; institutional investment advice; and interpretation of financial statements.

It is geared towards people with some knowledge of the subject already (the exams are important for individual membership of the Stock Exchange and lead to the Securities Industry Diploma) and costs £400. The home study pack costs £200.

Full details of the courses are available from Management Development Centre, City University Business School, Frobisher Crescent, Barbican Centre, London EC2Y 8HB (tel. 01-920-0111).

□ The London Business School runs evening courses for senior managers who want to broaden their financial knowledge, and people who have some experience already in the investment field. The courses usually are spread over three terms but it is possible to attend just one or two.

The Investment Management Programme is really for investment professionals and covers equity portfolio management, bond portfolio management and financial instruments.

The first part – equity portfolio management – covers topics such as modern portfolio theory; factors in share price movement; risk measurement and performance evaluation; active and passive portfolio management; and international investment.

This segment costs £1,200, while the complete course costs £3,000. There is also a Corporate Finance evening programme which costs £3,300 for three terms, or £1,200 per term. Further details can be obtained from the London Business School, Sussex Place, Regent's Park, London NW1 4SA (tel. 01-262-5050).

Where there's a will

A CERTAIN amount of "discussion" has arisen between my husband and I about plans that should or should not be made now with our future in mind. I am particularly concerned about the necessity of making wills.

I am 55 years of age and my husband is 60. We have no children and intend leaving our estates to each other. My husband questions the necessity of making wills in our case. He considers that as our finances and assets are relatively straightforward, and we have few close relations, there is no need.

What I am worried about is that, if I am the one to be left, the lack of a will might complicate matters and make a difficult time even more difficult. I doubt my ability to cope, both emotionally and physically, if irregularities which could have been avoided by planning ahead arise at such a time. My husband suggests I am worrying needlessly and that it is no more complicated dealing with the Probate Office than with a solicitor.

■ While it is possible to ensure, by full joint ownership of all property (that is, house, bank and building society accounts, stocks and shares and so on) that a surviving spouse need not have to resort to a will, we think it would undoubtedly offer a more secure position for the survivor if each spouse made a short will leaving everything to the other. That way, any inadvertent oversight as to joint holdings can be resolved readily.

Buying a freehold

I OWN a leasehold flat, which is one of a block of eight. The landlord has now decided to sell us the freehold. All eight leaseholders wish to buy it, but we have to set up a management company so that the freehold can be transferred.

We have had to consult a solicitor to act on our behalf, and we are told that he wants £100 from each flat-owner (£800 total) before he will make arrangements to go ahead and form a management company. He says the whole business is very complicated and needs careful handling.

We understand that we can buy a company "off the shelf." If so, could we amend the memorandum and articles of association to suit our needs? Do these have to be re-registered, and do we need a solicitor to do this?

Apart from setting up a company, is it a complicated matter for the freehold of a property to be transferred from an individual to a management company? Surely not.

■ You can buy a ready-made company and make any necessary alterations in the memorandum and articles of association. These will need to be filed at Companies House. However, it is not as uncomplicated a matter as it might at first seem to ensure that the membership of the company is always limited to flat-owners, and that each flat-owner becomes a member. You could well find that the cost of expert legal advice and drafting is repaid. Thus, while you are not required to use a solicitor, we think it would be unwise not to.

Suspicion is correct

INSTEAD OF taking out an institutional annuity, could I give, say, £100,000 to my son towards a house purchase against an annuity from him at either (1) currently-quoted fixed annuity rates for my age, or (2) a variable annuity rate linked to average prevailing mortgage rates.

What would be the inheritance tax angle of his receiving the £100,000 on either of the above arrangements, and of my giving it? Would it affect the general acceptability of such a proposition to Inland Revenue, or the tax position either way, if the annuity was secured on the value of the house – even though he retained the unmortgaged deeds?

Would it affect the legal validity of such a transaction if it were carried out by informal paperwork between us, or should this be done via a solicitor?

■ The fact that you have not heard of other people doing this has no doubt made you suspect there are flaws in the idea. These are to be found in sections 125 (annual payments for non-taxable consideration) and 786(3) (transactions associated with loans or credit) of the Income and Corporation Taxes Act 1988, *inter alia*.

We suggest that you and your son talk things over with, for example, the solicitor who will be acting for your son in the proposed purchase. All good solicitors who undertake conveyancing work have someone in the firm who is competent in the relevant tax law; but, of course, it would be prudent to check on this point before your son formally engages the services of the solicitor he has in mind.

Cottage for retirement

MY FATHER is about to purchase a cottage for his retirement at 65 next year. I wish to contribute towards this in order to enable him to buy a better property.

This would normally result in ownership in joint names, and I would become liable for capital gains tax upon sale of the property in future.

Would I be wiser to lend him the money instead, enabling him to buy in his name?

■ The choice is yours. Do you want any return on the money? If you make an interest-free you will simply get the original sum back one day.

If you buy the cottage jointly with your father (either as joint tenants or as tenants in common), you will benefit from the whole of the prospective increase in the value of your share up to the corresponding increase in the index of retail prices, and from at least 60 per cent of any increase in value (net of expenses of sale, etc) above the rate of inflation as measured by the RPI.

It must be borne in mind, of course, that the rules of capital gains tax – and of inheritance tax, in relation to your father's estate – may change fundamentally and without warning. You and your father should talk things over with the solicitor who is acting for him in the purchase.

Document torn up

I HAVE found a relative's will which has been torn up into several pieces. Nothing is missing and it is quite legible. I believe this to be a last will which was torn up accidentally. Would it still be valid if no other will appeared?

■ The presumption in law is that the testator destroyed the will with the intention of revoking it.

However, it is open to someone interested under the will, or named as executor in it, to prove to the Probate Court that there was no such intention; in which case the will can be proved even in its mutilated state.

Q&A
BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Change of tenancy

I BELIEVE that all that is required to change a joint tenancy into a tenancy in common is a letter. Can this letter be a simple "I declare that this property (address of property) is now a tenancy in common," with just a signature? Or must it be couched in legal terms? How, then, does one incorporate it in the deeds? And who must be notified besides the other "tenant?"

■ What you suggest is correct. The letter should be addressed to the other joint tenant(s) and it is wise to preserve evidence of its having been received by the addressee(s), perhaps by having the recipient(s) sign a copy in acknowledgement of receipt.

When to come home?

FOR FAMILY reasons, it might be necessary for myself and my wife to return to live in England in the near future.

From a tax point of view, would it be advisable for me to wait until the end of the tax year before doing so? I am not clear as to whether I would have to pay tax on my entire income for the whole of 1989 should I decide to return in, say, November 1989, or if I would have to pay only for the period November to April.

■ The answer depends upon the size and composition of your income (and any capital gains) as well as on how long you have been non-resident and whether both you and your wife are domiciled in England and Wales (or Scotland or Northern Ireland etc). As a first step, write to the Inland Revenue, Public Enquiry Room, Somerset House, Strand, London WC2R 1LB, asking for a copy of the free booklet IR20 (Residents and Non-Residents: Liability to Tax in the UK). You could also ask for the free booklet of extra-statutory concessions which covers the year of return to the UK after a period of non-residence.

MINDING YOUR OWN BUSINESS

HOWEVER BAD the weather, you can't rain off all the bright ideas. The trappings of the good life are taking a knock in the present cool economic climate, and rather fewer small business ventures are being started to take advantage of activities associated with prosperous times — such as travel and holidays, investment advice, retailing, consumer marketing, and services connected with leisure spending. But litter will always pile up. And people will always need to eat. That is why two new businesses are forecasting confidently that they can double their turnovers in less than a year from now.

A married couple, Achilles and Anna Achilleos, who live in central London's trendy Covent Garden, are turning their enthusiasm for good cooking and vegetarian food into a highly profitable business. And a former window cleaner, Brian Chesters, who now sweeps Britain's car parks, retail centres and industrial parks, is attracting new business worth several thousands of pounds a year during every month that he trades.

ROY HODSON meets them . . .

Brian brushes up a very clean act


Brian Chesters sweeps into action

Mike Aaron

CLEANING windows was not a bad living, as 34-year-old Brian Chesters admits. "You can make a reasonable amount of money as long as you are reasonably fit and it doesn't rain too much." He developed a round in Blackburn, Lancashire, and was turning over up to £15,000 in a good year. In between, he restored player-pianos (something he does not recommend as a worth-while activity for budding millionaires).

He was cleaning the windows of the local B & Q Do-It-Yourself store two years ago when the manager asked him a question that has *changed his life: "Can you* keep our car park clean?" Chesters pondered the problem and decided it would take a long time with a brush. So, on securing the contract he bought a little industrial cleaner made in Italy called the Speedy Sweep, which cost him £300.

Since then, he has been expanding his business, Litter Boss, at an almost exponential rate as he takes on new contracts for cleaning the open spaces around supermarkets and industrial sites.

After turning over £15,000 in his first year and £40,000 last year (with a profit of £18,000), *he is on target for £140,000 this* year.

Every month, he adds new contracts with an annual value of around £2,000, and he reckons he could expand at twice that rate if he had a stronger financial base.

Chesters seems to have discovered a true gap in the market. He says no-one wanted to contract-clean car parks and open spaces at reasonably low prices. His method is to employ local labour, with all the mechanical equipment they need, and have the cleaning done so regularly that the rubbish is never allowed to pile up.

He is now responsible for the cleanliness of 15 sites ranging from the south coast to Newcastle-upon-Tyne in the north east of England, and has a staff of four full-time and 20 part-time workers. Contracts range in value between £400 and £2,000 a month.

As he develops the business, he is securing agencies to supply the equipment he uses: cleaners, litter bins, and now a powerful vacuum-cleaning machine from the US called the Billy Goat which costs up to £2,000. He is already turning over £20,000 a year from his equipment agencies.

With true northern reserve, Chesters is cautious when *talking about expanding. But,* when pressed, he admits that his idea of caution means doubling his turnover to £300,000 a year within the next 12 months.

■ *Litter Boss, 9 Alport Close, Hulland Ward, Ashbourne, Derby DE6 3FR (tel. 0335-70555).*

How ambition was fed by peanut butter

CHALICE FOODS†

SALES	£	£
Peanut butter	130,000	
Olive paté and cheese	50,000	
Trulite lighting tubes	30,000	
Total		210,000
LOSS OF SALES		
Opening stock	500	
Purchases	172,000	172,500
Less closing stock	3,000	3,000
Total		169,500
Gross profit		40,500
LESS OVERHEADS		
Directors' remuneration	8,000	
Motor vehicle expenses	1,500	
Carriage and packaging	1,500	
Rent, rates etc	4,000	
Leasing repayments	2,500	
Interest	1,000	
Bank charges	500	
Professional fees	2,500	
Audit fees	1,000	
Advertising and promotion	4,000	
Insurances	1,000	
Telecommunications	1,500	
Printing, postage, stationery	2,000	
Sundries	1,000	
Total		32,000
NET PROFIT		8,500

† Estimated profit and loss account (July 1989 to June 1990)

ACHILLES Achilleos and wife Anna show a rare combination of inventiveness and a confidence that they can run a successful business. They are in their late 30s. For the first years after their marriage in 1981, he was content with his job as chef at a central London vegetarian restaurant, Food for Thought, in Neal Street, Covent Garden, while Anna taught daughter Gabrielle at their flat nearby. But both have plenty of entrepreneurial spirit.

Anna began importing and selling fluorescent lighting tubes and computer screens which are claimed to cut down harmful emissions. Working from home, she built-up that business to a turnover of about £1,000 a month. Achilles, meanwhile, was experimenting with making a special hand-made paté from the Greek kalamata olive. Producing it is labour-intensive but sales are running at around £1,000 a month.

Their commercial breakthrough came when, impressed that the British eat £18m worth of peanut butter every year, they decided to make a new range of tasty spin-offs. This autumn, they are marketing peanut butter with raisins plus savoury peanut butter. More variations are promised. But even this ingenious pair found they could not fulfil orders for big quantities of peanut butter derivatives on their own. So, they decided to concentrate upon the marketing side of that business and put production is in the hands of a Welsh whole-food manufacturer, Meridian, of Corwen, Clwyd.

Turnover from their peanut butter products has reached £3,500 a month after only eight weeks. They are confident they will be turning over £10,000 a month in those lines by the end of 1989.

Ideas for new products, new business slants and expansion tumble out of Anna and Achilles. So far, their only financing has been a £10,000 overdraft from the National Westminster bank's Covent Garden branch. They are now looking for a backer to take a stake in the business and provide money for a £20,000 unit in the East End to make new products — including a much bigger output of their olive paté, which has achieved an underground reputation among gourmets already.

They expect to make only £8,500 profit in the year to next June, as the accompanying profit and loss account shows. But they believe there is an almost infinite demand for their products if they can get the production and marketing right.

Achilles plans to leave the restaurant by the end of this year to work in the business full-time, and Anna is taking main responsibility for the marketing. That she has a flair is illustrated by her recent meeting with the raisin-growers of California. Reminding them that their raisins constitute 30 per cent of her peanut butter product, she asked for marketing help. The ponderously-named Californian Raisin Advisory Bureau is now considering how it can back her initiative with some practical support.

■ *Chalice Foods, 31 Neal Street, London WC2 (tel. 01-379-7940).*

IN BRIEF

Ideas wanted

GREEN FEELINGS are certainly starting to have an impact on the style and direction of small businesses in Britain. The most noticeable change is a blurring of the old distinction between town and country.

There used to be a firmly-fixed concept that progressive small businesses of an industrial or financial nature would, by and large, be urban-orientated; and that those business which decided to keep their roots firmly in the countryside would forever have an image and style linked to rural life.

Now, however, progressive "head-hunters", currency advisers and tax specialists are likely to be found working in remote manor houses, farms or cottages.

The other side of the coin is that rural activities are shaking the mud off their boots and may be found behind smart brass nameplates in the City.

Catching the trend, the National Westminster Bank and the National Farmers' Union are offering more than £20,000 in prize-money for the best new business ideas for the countryside next year.

The awards were started four years ago by the two organisations and the Young Farmers Clubs under the heading Venturecash. Next year, for the first time, the judges will be asked to select an overall winner of the countryside contest who will receive £3,000.

The 10 best entries each will get £1,500 to complete their research and produce a business plan. The 25 best applicants will have the chance to attend a management course at the Cranfield School of Management, in Bedfordshire.

Applications should be made before the end of November to NFU or Young Farmers' Club offices, or the NatWest agricultural offices in Coventry (tel: 0203-553-721) or Edinburgh (031-226-6181).

AN ACQUISITION and disposal adviser is, in simple terms, someone who wants to help you buy or sell your business.

One of Britain's leading practitioners is Barrie Pearson, who has just written a useful book on the subject called *Realising the Value of A Business: A Buyers and Sellers Guide* (Hawksmere, £14.95).

Pearson, who is managing director of Livingstone Fisher Associates in London, takes the prospective corporate buyer or seller step-by-step through the labyrinth of company deals, with clear headings and succinct explanations.

It is a book to refer-to rather than read at a sitting. But it could save you a lot of pain if you find yourself in the business market-place.

The chapter called How to Negotiate a Deal is particularly useful for the wrinkles it contains. Pearson emphasises that negotiation is an art, not a science. Not surprisingly, he emphasises the wisdom of seeking expert advice and help.

THOSE who have graduated from the micro-computer nursery school, and can handle word processing and simple accounting and statistical programmes, can also enjoy some of the many small and inexpensive "bolt-on" programmes which are designed to help get the best out of the sometimes unwieldly basic programmes.

One such I have been trying is Mapscope from Map Computing, 105/107 Windsor Road, Oldham, Lancashire OL8 1RP (tel: 061-624-5662), price £113.85.

Designed to work with the Sage and other accounting series, Mapscope gives you access to customer accounts, invoice details, supplier details and other information at the touch of a key while you are doing something else on the computer.

That facility is welcome enough. But Mapscope does more. All the data in the Sage package is available to you, no matter what other programmes are being run at the time.

For instance, if you are writing to a client and want the address. Mapscope calls up the account. You can then capture the information you want and put it into the letter.

Weather fine. Food awful. Crocs wicked

Zambia is not the place for upmarket safaris. Instead, it is for real travelling and real travellers. Even in the top hotels, the food may depress you. And take your own matches

Day 1: I see from the Zambia Daily Mail ("We serve the country. Without fear or favour") that my arrival in Lusaka has coincided with that of Swaziland's young king, Mswati III, who is making his first official visit outside Swaziland since becoming king in 1986.

He is accompanied by one of his wives, Inkosikazi Lang'ang'aza. Just like any tourist, the king tells Zambia's Comrade President Kenneth Kaunda that he is delighted to be here and hopes to "see a lot of interesting things."

Being a king, he is not obliged to spend a penitential night at Lusaka's Hotel Inter-Continental on Haile Selassie Avenue, which is glum and horrible and so unlike any Inter-Continental I have ever stayed in that I am shocked.

While the king heads south, for Livingstone, I fly north, to Kasaba Bay, where I catch a boat to Nkamba Bay Lodge on Lake Tanganyika, within the boundaries of Sumbu National Park, in Zambia's northern-most corner. There are two other lodges to choose from, at Kasaba Bay itself and Ndole Bay.

According to a leaflet put out by the Zambia National Tourist Board: "Guests are accommodated in modern, cool, comfortable chalets with private bathrooms and toilets. All chalets face the lake and have uninterrupted views of the lakeshore with hippos, pukus (a russet antelope) and elephants usually in sight. Every chalet has a private verandah.

"The cuisine is excellent with freshly caught fish a speciality . . . Lake Tanganyika is an angler's dream, and in the deep clear water there are more than 200 different species of fish . . ."

Sumbu National Park is said to be "almost undiscovered," and to contain large herds of elephant. "Guests who awaken early in the morning can see animals through the windows. The animals may be harmless if left unteased, but it should be remembered that they are as wild as nature can be."

At first sight – and at second – Nkamba Bay is so unprepossessing a spot that I wonder why I have come. But everyone seems cheerful.

I am put in Chalet 5, which has all mod cons, and handed: a fresh roll of toilet paper, a bar of Choice soap ("For a beautiful soft, smooth complexion") and a canister of Aero-Blast Flying Insect Killer manufactured by Reckitt & Colman (Zambia) Ltd.

Travels with
Michael Thompson-Noel

A notice on the door of Chalet 5 re-emphasises the unwisdom of lurching around the *camp after lights-out at 23.00* hours. "Wild animals are in the camp area at this time," it says. It adds that it is dangerous to swim in the lake in front of the lodge because of crocodiles.

I feel completely hemmed in. To be on the safe side, I make sure that I am securely in bed, *with all lights doused, by half* past eight.

Day 2: At 6am a small boy knocks on the door to say that *"gum guy"* is waiting for me.

"Gum guy?"

"Yah, *gum guy!!*"

He means my game guide – Olvitti Chasaya, who is pocket-sized and lithe and is dressed in the uniform of the National Parks and Wildlife Service. *The morning is bright* and clear and beautiful. The ridge of hills on the opposite side of the bay is flushed with rose. Geese and crane wheel immemorially.

Or perhaps they don't. Some species are younger than they look. The elephant, for instance, is thought to be a younger species than man. What appallingly rotten luck for this noble beast that its time on Earth should have coincided with ours.

We set *off.*

"Is it true," I ask Olvitti, "that there are lion all around?"

"Oh yes," he says, "we have many lion here."

"And leopard?"

"Oh yes."

"And buffalo?"

"Oh yes."

"And crocodiles?"

"Oh yes."

He is carrying the most insignificant-looking rifle I have seen in my life, though I notice that he unshoulders it when buffalo are near.

"Buffalo are very bad," he says, "and very, very fast. They have killed many poachers."

I pause to ponder whether they only kill poachers, and fall 15 paces behind. I run to catch up. We cross dried-out riverbeds. There are plenty of puku which skitter away, raising *puffs of pastel dust.* We are crossing wooded grassland. We could be on a golf course, Everything is dry. The rains haven't started. There are a great many birds. A buffalo looks towards us. We unshoulder our rifle. The buffalo crashes up the hillside, banging through the trees.

Having circled back towards the lake, we vault a small river and return to the camp, keeping clear of the waterside and its dreadful crocodiles. We have been gone three hours. Everyone in the camp takes the crocodiles extremely seriously, which is why no-one is allowed to wander aimlessly by the lakeside. The Nile crocodile, after all, is Africa's most awesome predator and No 1 mankiller.

"Primarily a fish eater," says my wildlife book, "it will take any animal that it can overpower. One famous early Kenya photograph shows a *full-grown black rhinoceros* being dragged to its death by drowning. Only sharks seem to instil the same cold dread this species inspires."

Nkamba Bay, Lake Tanganyika: camp workers haul in a giant net confiscated when a dozen poachers were arrested

Recently, at the crocodile farm at Kasaba Bay, a leopard climbed into the pens and slaughtered 60 young crocs. At the current official rate of about $300 per ranched croc skin, that was an expensive bit of bloodlust, especially for a country as *starved* of foreign currency as Zambia.

At nightfall, to my horror, I *discover* that I have left my Graham Greene in the hotel in Lusaka. Apart from the guide-book, I have nothing to read. *The camp manager* sympathises, and sends a boy across with copies of *Rich Man, Poor Man*, by Irwin Shaw, and *The Best Place To Be*, by Helen Van Slyke, which starts like this:

"There was something almost indecent about a man like Sean Callahan dying at the counter of a dry-cleaner's shop in that circumspect suburb of Cleveland called Shaker Heights."

I pass out at once.

Day 3: From the verandah of the lodge I gaze at Lake Tanganyika, which is an impressive body of water: 422 miles *long, sometimes* 50 or more miles wide and up to 4,650 ft deep – the world's second deepest and seventh largest lake. The scenery can be spectacular. Although the surface waters are as clear as gin, the oxygenless depths are said to have lain virtually undisturbed for millions of years, like a giant *liquid fossil.*

There was some excitement in the night when the camp manager and *his men* arrested a boat full of poachers – a dozen in all – and locked them up. The police are on their way. The manager says that there are more than enough fish in Lake Tanganyika to support *commercial fishing* as well as the needs of sportsmen, but that the poachers' *monstrous nets are causing great* damage.

Some sportsmen have been lucky. In the bar of the lodge there is a photograph of a rod-and-reel angler posing proudly with an 83 lb Nile perch caught on 12 lb line near Chilanga Rocks in April 1987. Some Nile perch weigh more than 500 lb.

Day 4: I catch a plane to Livingstone and the Victoria Falls, by way of Lusaka. In the tiny transit huts *en route,* notices on the wall indicate that two of Zambia's most pressing concerns at present are Aids ("Sex Thrills. Aids Kills") and corruption ("Stamp out corruption. Report corruption to the Anti-Corruption Commission Now!!").

Another poster explains: "There has been some tendency in the past for people to offer gifts to *Public Officers* with whom they have business in the belief that such gifts might be helpful in establishing and maintaining goodwill. Some people may have responded to pressure from Public Officers themselves." The notice adds that this is strictly against Party and Government policy, with heavy penalties for convicted offenders.

Day 5: The Victoria Falls are undeniably in the pow! zap! crunch! class of tourist attraction. But the view on the Zambian side of the border is not nearly as spectacular as the one from Zimbabwe, so I make the crossing. Altogether I spend about two hours filling in forms, first at the Zambian checkpoint, then at the Zimbabwean.

On the way over I am obliged to leave a wad of Zambian currency with a customs *official;* on the way back I am obliged to surrender about £7 in Zimbabwean currency. The "Port of Seizure" is listed as the Victoria Falls Border. I am given a form which says that within three months I may, if I wish, make representations to the Director of Customs and Excise who may, under Section *176 (6) of the Customs and* Excise Act, a) release my currency from seizure or b) declare it to be forfeited.

I become so confused by all these forms and seizures that I start to bump into trees. I make a strange clicking sound, like a little blue monkey.

In contrast to the austerity on the Zambian side, *Zimbabwe* seems like another world, though my judgment is unquestionably coloured by the splendour of the Victoria Falls Hotel, where I sit in luxury and drink some coffee. I cannot help overhearing some white medical students discussing Aids. To judge from their conversation, one of the most riskily promiscuous sub-groups known to these young people is . . . medical students.

Back on the Zambian side of the border I am staying at the Hotel Mosi-O-Tunya (Smoke That Thunders), another Inter-Continental. It is marginally better than the one in Lusaka though its food is just as dreadful and expensive. To my astonishment there are three books of matches in my room. For the past four days I have been unable to buy a single match – a minor manifestation, no doubt, of the economic troubles with which Zambia is plagued.

I join a "sundowner cruise" on the mighty Zambezi. It costs £10 and is virtually a rip-off. My fellow passengers are as plump as baboons and are equipped with all the latest Japanese video gear. Everyone enjoys the lifebelt demonstration. *"If you find yourself in the water,"* says the curvesome stewardess, "just blow the whistle and hopefully someone will come to your rescue." Her beautiful eyes say: "It won't be me."

We see a few hippos but only one crocodile. Possibly stuffed. Things soon turn squally. Thick cloud rolls over us. The waters of the Zambezi are lashed into froth. The rainy season has come early this year.

I watch the TV news, which tells us that Comrade Kaunda has invited Finland – "a very important country" – to play a closer role in the Zambian economy. I wonder if it has anything to do with matches. Then we are told that Zambia *and Iran* have agreed on closer forms of co-operation, including technology transfer. Who is to transfer what to whom is not explained.

The Zambian weather forecast is so brain-numbingly complicated that my head begins to ache. When the weatherman says goodbye, he *gives a little wave.*

■ I travelled c/o Africa Bound Holidays, which is owned by Zambia Airways. To stay at Nkamba Bay Lodge costs approximately £26 per person per night (double occupancy, half board). I wouldn't recommend it for a holiday, unless *you desperately wish to fish* Lake Tanganyika. Otherwise, you might find it dull and claustrophobic. The lodge at Kasaba Bay is far more picturesque, and possibly worth a day or two. Africa Bound is at 163 Piccadilly, London W1V 9DE, tel: 01-493-4383.

A useful book is the *Spectrum Guide to African Wildlife Safaris*, Moorland Publishing, £10.99, which includes practical information on conservation and wildlife photography, as well as full lists of operators, wildlife books and parks.

Shells with everything

LEE ISLAND Coast on the Gulf of Mexico in south west Florida has no theme parks, no zoos, no safaris. Its main attraction is that it has no *"attractions," and that dressy* means sandals and not bare feet. What it does have are 50 miles of unspoilt white sandy beaches and 100 barrier islands. Long-beaked pelicans swoop into the sea for fish; dolphins and gentle manatees (the ones Columbus thought were mermaids) swim alongside small boats, and alligators bask in the canals.

We stayed on Captiva, a tiny island joined by a bridge to neighbouring Sanibel with both connected to the mainland by a three-mile causeway. Key limes and coconut palms were once the staple crops but a 1920's *hurricane destroyed the* industry and by 1938 workers' cottages were being turned into guest rooms for holidaymakers. Today there are no houses taller than the trees around them and it is *illegal* to spray crops with insecticides.

"People don't come here to party and be outrageous," said one local girl. "They come to relax and do nothing." Well, almost. There is sailing, fishing, scuba diving, surfing, golf and tennis, a surprising number of good restaurants, *small shops* – and shells. People equipped with miners' lamps get up at dawn to search for the beautiful *new shapes* brought in on the morning tide. More than 400 different types can be found and in the shops it's shells with everything.

Small boats cruise around the string of islands. We went to Cabbage Key, sailing through Pine Island Sound where ospreys and cormorants make their nests on the shipping-line posts. From *Barry, on the boat's bridge,* we learnt that 600 dolphins swim here. "Give them the applause they *want* and they'll dance in our wake," he said. We clapped at the first glimpse and they did just that, their shiny grey bodies arched in a quick glittery curve as they leapt from the water.

Ducks strut on the sloping lawn of Cabbage Key Inn, built on an ancient Calusa Indian shell mound. It has six guest rooms and a wood-panelled dining room with walls completely papered with customers' autographed dollar bills. Yachtsmen moor up here *for the night and Terry Forgie,* the dock master who came visiting 15 years ago and liked it so much he decided to stay, keeps an eye on them all.

In the woods, yellow butterflies and dragonflies flit around the prickly pears and *Cuban laurels* brought in by Spaniards some 300 years ago. Herons, ospreys and pelicans make their *nests. Over lunch* (fresh prawns steamed in beer, smoked mullet and Key Lime pie – the limes grow just outside) we heard about the islands' shark tournaments and how American songwriter Jimmy Buffet is said to have written his famous "Cheeseburger in Paradise" here.

At the J.N. "Ding" Darling Refuge on Captiva, there are more than 200 species of *birds* and you can drive, walk, cycle around the lakes or canoe through a red mangrove forest where myrtle, seagrapes and Sabal palms grow. We arrived as dawn was breaking, left the car and walked around the swampy lakes, watching the herons and cormorants and an alligator lying motionless on the water's edge.

If you feel like a night on the town you can go to Fort Myers on the mainland with its cafes and nightclubs. Thomas Edison had his winter home here and it is well worth a visit for it has magnificent gardens and a museum that shows many of his inventions, including the world's first-ever recording of a human voice reciting "Mary had a little lamb." When Edison produced the first electric light bulb in the 1880's and offered to illuminate Fort Myers, local people declined the offer; they didn't want to disturb their sleeping cows. Now they pay tribute to him each year with a Pageant of Light Festival on his birthday.

We stayed at the South Seas Plantation where accommodation includes hotel rooms, villa suites or cottages on a 330-acre site between a marina and the sea. There are 22 tennis courts, 18 swimming pools, three restaurants, pizzeria and ice cream parlour. *We ate at the modest and* friendly Timmy's Nook on the road to Sanibel (scallops, baked potato and *blueberry* pie)

■ British Airways Poundstretcher offers holidays at South Sea Plantation, as does Select Holidays. Meon Villas has villas and apartments on the Gulf Coast.

Angela Wigglesworth

WEEKEND FT SPECIAL REPORT/INDEPENDENT EDUCATION

Choosing the right school

Alan Forrest recommends some places and publications that can help to point parents in the right direction

INDEPENDENT education is still a growing market. According to a survey by the Independent Schools Information Service (ISIS), the number of pupils at fee-paying schools rose by 1.7 in the past year, the sixth successive annual increase. There were 452,768 pupils in 1,323 schools in January this year compared with 445,227 in January 1988. Fees rose by an average of 10 per cent over the year, – slightly less than in the previous two years when substantial increases in teachers' pay affected the finances of most schools.

So, with demand rising as well as fees, it becomes even more important for parents to choose the right school. At one time, the choice for many parents was easy: the child went to dad or mum's old one. But with more and more parents becoming first-time buyers of independent education (dad and mum went to a state school), the need to be pointed in the right direction becomes ever more important.

There are many places and publications offering help. ISIS itself produces a valuable guide, *Choosing Your Independent School*, and the chapter on *Narrowing Your Choice* is excellent. For example, do you go for the academic or less academic school? Here, the advice is sound and plain-spoken: "Some parents are over-ambitious for their children. Others under-estimate their child's abilities and potential.

"There are few things worse for children than having to flounder at the bottom of the form because they have been over-coached and have managed to squeeze through the entrance exam into a school but now find the academic pressures are too great. On the other hand, if they can work faster than the rest, it is boring and frustrating to have to pretend not to be so clever.

"If your child is bright and obviously able, and you think will do well in the type of school that used to be a grammar school, then look for schools which take part in the government's Assisted Places Scheme. If your child is less academic, look for a smaller school which has small classes." The guide raises such questions for parents as whether day attendance or boarding is the best option, the possibility of joint travel plans with parents living in the same area, and if the school should be single-sex or co-ed. It advises them to find out all they can about the staff and the head, and about discipline, and not to make a choice on one visit to an open day. See the school on a day when it is operating normally.

One of the best aids to parents is the Harpers and Queen *Good Schools Guide*. Written by Amanda Atha and Sarah Drummond, this is informative, witty and often irreverent. Take the chapter on choice, which is called *Sussing Out a School*: "What to look out for. Bearing of pupils, staff, ditto. Do they look clean, bright-eyed and enthusiastic (whatever you like)? Attitude of pupils, staff and vice-versa. Does the Head know who they all are (you'd be surprised)? Do pupils flatten themselves against the wall as the Head passes? Do they flatten him/her against the wall as they pass?

"Is the atmosphere happy? Fraught? Coerced or co-opted? Do you fall over pupils canoodling in corners? How many are slumped in front of the television? Do the drains smell? What is the state of the paintwork, etc – a glance at the ceiling will usually tell. Grab an exercise book or three in passing and look at the standard of work and standard of marking – this can tell you an awful amount. Observe the state of the library: rows of dusty tomes look impressive but bright, new, dog-eared is healthier."

In spite of its occasionally glossy mag flippancy, this guide gives much-needed advice and its entries on individual schools are informative without being boring.

The educational consultancy of Gabbitas, Truman and Thring is a household word in the schools' business. Housed in impressive premises just round the corner from Piccadilly Circus in central London, it is an excellent place to go for advice and its publications do much to show parents the way through the education jungle.

John Murrell, GTT's managing governor, is a pleasant and knowledgable guide. He is something of a traditionalist but supports the new GCSE and co-education. Murrell does, however, believe that a particular reason for the growth of the number of girls in boys' schools is simply that the latter, being mostly older foundations and going back to the bad old days when girls weren't expected to be educated, can offer better facilities than the majority of girls' schools.

Preps bow to growing demand for day places

David Thomas looks at the results of a social revolution

PREPARATORY schools have undergone a sea change in a generation as the demand for day places has swelled at the expense of boarding. And they face further changes as they struggle to come to terms with reforms now being introduced into the state sector.

A few figures are enough to demonstrate the transformation that has swept through the prep school world. A generation ago, there were 187 all-boarding and 61 all-day schools in the Incorporated Association of Preparatory Schools, the main prep school association. IAPS schools were educating some 29,000 boarders and 23,000 day children.

Now, the ranks of all-boarding schools have dwindled to just 14 while the numbers of all-day schools have swelled to 202. As a consequence, boarders in IAPS schools have fallen 20 per cent to 23,000, while day children have more than trebled to 89,000.

These figures hide a story of social revolution. Middle-class parents, especially those who went to state schools themselves, are increasingly reluctant to send their young children away to board.

The statistics also bear testimony to the sheer buoyancy of demand for prep school education among those families who have benefited from the affluence of the 1980s.

Yet, this demand means that many parents are finding it increasingly difficult to locate day places for their children in prep schools, particularly in London and the south-east.

Why is there such strong demand for prep school education? The official answer was given by Hugh Davies Jones, headmaster of St Andrew's, Eastbourne, in his chairman's address to the annual conference of the IAPS last month.

He called it the "x factor" and said: "Our classes are smaller than the local primary [and parents] will be aware that facilities – once a weak area of preparatory schools – are now good and, in many cases, superb."

Yet, he wondered if objective considerations like that were "enough to justify fees which all parents find burdensome and some find almost crippling?"

Davies Jones believes the missing ingredient that tips the balance is the "x factor" which, although varying from school to school, is summed-up in the independent sector's determination to transmit "manners, tidiness, courtesy, service and leadership" – old-fashioned values that have to be taught as much through a prep school's activities outside the classroom as in its devotion to academic standards.

A more worldly-wise answer is given by a parent who moved recently from Yorkshire to the south-east – which, incidentally, meant he had to face a doubling of fees for day places at the local prep school. A complex of factors – typical of the pressures facing many parents – combined to make the independent route seem almost inevitable for his young son.

First, although his child was not yet five, the father was determined to get him into school as soon as possible. The local authority had very few nursery places but there was a thriving kindergarten section in the local prep school – an area of prep school demand that has enjoyed particularly explosive growth in recent years.

Second, being a grammar school product himself, he had neither loyalty to, nor experience, of private education. Yet, he also had precious little gut feeling for the apparently undemanding ethos that was on offer in his local state school.

Third, there was more pressure from the parents of his wife – who *had* been educated privately – in favour of the independent option. Fourth, all the other parents he met on moving to his new home warned him that the local state schools were renowned for low standards.

Fifth, this fed into what he calls "the class thing" – a pervasive feeling that people of his class and status in the town sent their children to independent schools automatically. Or, as he put its, graphically: "There are bullies in all schools but you probably get a better class of bully in private schools."

In the event, while he is perfectly satisfied with his son's prep school he cannot help adding: "I have this awful suspicion that they're not that different from state schools."

The existing differences will diminish if the government's present programme of educational reforms raises standards in the state sector, as it hopes. Education Minister Angela Rumbold told a recent gathering of schools inspectors: "There should be no need for the independent sector, as the state sector will provide parents with the standards and choice currently provided by the independent sector" – an astonishing statement for a Conservative minister.

Prep schools are already pondering their response to the most fundamental of the educational reforms: the national curriculum which is being phased into state primary schools from this term.

Theoretically, the independent sector can ignore this curriculum since it is exempted from its provisions. Yet, few independent school heads expect that to happen.

"It would be very foolish for schools not to keep in touch and follow it," argues Robin Peverett, due to become IAPS director of education next year.

Prep schools will have to cater for all the children who move in and out of the state sector. Moreover, since the demands of the 16-plus General Certificate of Secondary Education examination, and of the national curriculum, are to be merged for the 14-16 age group, private schools – with their heavy commitment to exam success – will have to take increasing note of the curriculum.

Peverett, who is also headmaster of Dulwich College prep school in Cranbrook, Kent, argues that the national curriculum should not mean too great an upheaval because most prep schools teach already the bulk of what is being demanded. However, he acknowledges that the requirement to teach science and technology from age five could pose challenges to some prep schools.

Further down the track is the question of whether the requirement under the curriculum to assess all pupils at 14 could have implications for the Common Entrance, the exam by which most 13-year-old boys pass from the junior world of the prep school to the senior environment of the public school.

One line of thought is that prep schools could take the 14-plus national curriculum tests a year early, largely replacing the need for a separate Common Entrance exam. This is an issue that will run and run.

Bed — and weekly board

WEEKLY boarding, once a rarity to be found in only a handful of schools, is one of the fastest-growing areas of the independent sector. This year, there were 9.3 per cent more weekly boy boarders and 9.5 per cent more weekly girl boarders attending the 1,350 schools taking part in the regular census organised by the Independent Schools Information Service. True, the ratio of full boarders to weekly is still about 12.1 for boys and 8.1 for girls, but there is no doubt that the growth of the weekly option is helping to offset the long-term decline in full boarding.

The reasons for this trend are not hard to find. Many parents of children in independent schools were educated in the state sector themselves and so find quite alien the whole culture of sending children away to school. They *want to have their children* around. On the other hand, even if their children are at day school, parents often do not manage to see that much of them during week-days. The demands of homework and after-school hobbies on the children's time, and of work on that of the parents, will preclude much contact – a point of particular force if both parents are working.

Weekly boarding can seem an admirable compromise, as John Trevis – in charge of advisory services at educational consultant Gabbitas Truman and Thring – explains. "It's attractive for parents who don't want to lose total contact with their children and who don't themselves have much experience of boarding." For some parents, Trevis adds, the choice of weekly boarding is dictated by a more mundane reason: the difficulty in finding suitable day school places.

Whatever the reason, the *increasing popularity* of weekly boarding suits many schools. Robin Peverett, head of Dulwich College prep school in Cranbrook, Kent, says: "Weekly boarding has helped to save boarding from our point of view over the last 10 years." Peverett explains that a common pattern is, first, for day pupils to become weekly boarders and then, after gaining a taste for it, to plump for full boarding.

But the very frequency of this progression suggests that some children might lose out from weekly boarding. John Fuller-Sessions, headmaster of Bramcote School in Scarborough, North Yorkshire – one of only 14 schools left in the Incorporated Association of Preparatory Schools that offer only full board – certainly thinks so. He argues that by *catering for only one type of* pupil – full-boarding boys – the school can build-up a routine and a rhythm dedicated totally to their needs.

Trevis counsels parents who seek his advice to think about the possible drawbacks to weekly boarding. First, he tells them, be clear about what weekly boarding means in any particular school. Many parents think it will allow them to collect their children on Friday evening and return them on Monday morning. In fact, that pattern is unusual. The weekend break often stretches only from Saturday lunchtime (after Saturday morning lessons) to Sunday evening.

Second, think about the logistics involved. Weekly boarding can seem an enticing prospect when the children first go to school. But will the weekly trek to and from school seem so attractive in the depth of winter, and when the children have been at school for five years?

Third, consider the impact on the children of the weekly option. "Going from one routine to another with such regularity can be unsettling. They *may never settle in*," warns Trevis. He says this danger is especially acute if the school is geared around the needs of the full boarders.

Finally, no parent should imagine that they will save much money by plumping for weekly over full boarding. In many schools, the fees for both are identical. And even in those schools where there is a differential, it is rarely more than £100 a term. Headmasters justify this by saying that weekly boarding saves them only a bit of marginal spending on items like food: all the school's fixed costs – including, crucially, staffing – remain unchanged.

Yet, the signs are that weekly boarding will continue to flourish as an option in the independent sector as modern, middle-class families swing away increasingly from the culture of full boarding. Even most of the purist schools that still set their face against weekly boarding have long since stopped trying to regulate the visits of parents at weekends. As many visits as they like are now the norm.

Schools of the old kind are increasingly a rarity, as Trevis explains. "Full-boarding, single-sex schools are now quite few and far between.

David Thomas

WEEKEND FT SPECIAL REPORT/INDEPENDENT EDUCATION

Interest rate rises disrupt planning

***Eric Short** investigates the effect of Britain's financial upheaval on school fees*

THE DRAMATIC change in financial conditions in the UK over the past 18 months, with interest rates doubling, has completely changed the emphasis on paying school fees.

At the beginning of last year, interest rates were coming down – base rates had dropped to 8 per cent – while house prices were rising steadily. As a simple solution to paying the school fees bill, more and more parents borrowed the money with the family home as security, so effectively tapping the equity appreciation in their main asset.

Equity loan schemes for school fee payments abounded, using draw-down facilities to make taking a loan as straightforward as signing a cheque. Repayments of such loans were scheduled to take place over as long as 25 years – well after the children's education had finished – using endowment or pension policies for the purpose.

There was a growing feeling that no other planning was required. Indeed, some school fee specialists were talking about introducing schemes that rolled-up the interest payments into the loan, with the accummulated loan being paid off from the equity growth on the home. There was much less publicity over savings schemes and the desirability of funding in advance to pay school fees.

The rapid change in financial conditions has disturbed this cosy view of meeting school bills. Many families are still sitting on substantial equity appreciation, despite the fall in house prices. But the continued equity growth on which many plans were based has stopped, at least temporarily.

Of far more significance is the rapid rise in interest rates. The levels charged on school fee loan schemes, such as the ISIS plan operated by the National Westminster Bank, have risen from 10.5 per cent in February 1988 to the present level of 17.5 per cent. The cost of servicing them has become near-prohibitive.

If the attitude of parents towards their children's education was based on logical, rational reasoning, then they would turn away reluctantly from the private sector. But, almost invariably, decisions on education are made from the heart. Parents are prepared to make considerable financial sacrifices in order to get their children educated privately.

Michael Kaye, of Ascot-based school fee specialist Claremont Savile, which handles the NatWest/ISIS plan, reports there is still a strong demand for loans. Indeed, parents who have not funded in advance to ease the fees burden, and who cannot meet the cost entirely out of the net family income, have little choice but to take loans if they are determined to go the private route.

'If parents' attitudes towards their children's education were based on rational reasoning, they would turn away from the private sector'

Those parents with children already at independent schools, and funding through loan schemes, seem determined to see it through despite the cost. Kaye has seen no sign of parents taking their children away from independent schools and putting them back into the State sector. Neither, as yet, are there any reports of parents defaulting on their loans. But Claremont Savile is finding that parents are making considerable use of the firm's Freephone service (0800-521-002) for help, guidance – or simply re-assurance.

Nevertheless, the events of the past 18 months have highlighted the need for planning ahead to ease the school fee burden. This does not mean that loans should not be considered; many parents have little alternative. But it means that parents need to be aware of the cost implications of rising interest rates and the problems that can arise through relying on one source.

If present conditions are bad for borrowers, then they are good for savers. The real rate of interest (the actual rate less the present inflation rate) is still positive. As such, it provides a strong incentive to set up savings plans now and to put any capital available to good use. Another major development in the financial field this year has been the establishment of personal equity plans (PEPS) as a tax-efficient equity investment vehicle.

School fee specialists have become much more flexible in their planning to make maximum use of all available investment media. Gone are the days when with-profit endowments were the only savings vehicles used in school fee planning.

Anthony Murrell, managing director of Fraser Marr, another firm of school fee specialists, points out that with-profit contracts still form the "core" of any school fee package. But there will be a variety of satellite contracts built onto this core. The with-profits core provides stability while the satellite investments offer the opportunity of higher returns, particularly if equity-type investments, such as unit trusts, are used.

The latest ISIS survey on school fees shows they are rising at 10 per cent a year – some way ahead of price inflation. So, any package should be funded on the basis of a steady rise in fee levels.

The Maidenhead-based School Fees Insurance Agency (SFIA), one of the pioneers (and still a major player) in school fee planning, is soon to introduce a PEP. However, the recent convulsions in world stock markets have highlighted the need for flexibility and constant monitoring of any investment package. For those parents still wary of equity investment, SFIA is able to offer very attractive rates on lump sum investment into its Educational trust.

Parents seeking more information on the subject can obtain two leaflets from ISIS – on school fees and planning early.

■ *Independent Schools Information Service, 56 Buckingham Gate, London SW1E 6AG.*


Art for all reasons

ART FOR art's sake or for a professional career? The independent art and design colleges provide courses for all reasons.

Our pictures show the serious business of art study: students at the City and Guilds of London Art School concentrate (left) on stone carving and (right) on restoration work. The City and Guilds, now independent after the City and Guilds of London ended its sponsorship in 1971, is going ahead famously under Roger de Gray, its principal, who is also president of the Royal Academy. As well as fine art, it still offers the kind of courses going back to its foundation in 1879 - those for people engaged in the art industries.

People looking for career opportunities as art historians should consult the Gabbitas, Truman and Thring guide to *Education after 16*. Both the great auction houses, Sotheby's and Christie's, offer interesting courses and, to quote Christie's brochure to the career-bound: "Our employment record is a good one and our students have gone on to work with auction houses, dealers, museums, private collectors, publishers, and in art administration all over the world."

Another interesting school based within a few minutes of Oxford Circus in central London is the Palladio Academy. Principal Thomas Duncan describes it as "London's premier professional interior design school" and with new, enlarged premises it has doubled its intake of students for the 1989-90 session.

For more information on independent art colleges, the Gabbitas, Truman and Thring guide is a good source.

Alan Forrest

Hacking through the jungle . . .

HERE ARE some useful addresses of organisations and publications mentioned elsewhere in this report. They should all be noted by parents and students still a little lost in the educational jungle.

■ The Independent Schools Information Services guide, *Choosing Your Independent School*, costs £1.95 and is obtainable from the ISIS office at 56 Buckingham Gate, London SW1E 6AG (tel. 01-630-8793/4). It lists 1,400 boarding and day schools for boys and girls aged 2-19 in the UK and the Republic of Ireland.

■ Another helping hand can be sought from education consultant Gabbitas, Truman and Thring at 6, 7 and 8 Sackville Street, Piccadilly, London W1X 2BR (tel. 01-734-0161). It publishes several invaluable guides to different areas of independent education.

GTT also offers a free advisory service to parents seeking advice on choosing a school, and a counselling service (at a nominal fee) for familes seeking specialist advice on educational progress or on career choices.

■ The Harpers and Queen *Good Schools Guide*, by Amanda Atha and Sarah Drummond, is published by Ebury Press, Colquohoun House, 27-37 Broadwick Street, London W1 1FR at £8.95.

In the region of independent further education, there are many places to seek help. For those overseas students looking for the right place to learn English, perfect it, or even move into such specialist areas as business English or the English of science and technology, advice can be sought from the Association of Recognised English Language Teaching Establishments in Great Britain (Arels-Felco), 125 High Holborn, London WC1V 6QD (tel. 01-242-3136).

The British Accreditation Council for Independent Further and Higher Education (BAC) has made it easier for parents to discover the best independent colleges. Since the council introduced its accreditation scheme with inspections, you can now distinguished the real education institutions from the bucket shops. The council is based at Middlesex Polytechnic, Bounds Green Road, London N11 2NQ (tel. 01-368-1299).

As for accommodation for students, there are many organisations ready to give advice. These range from the various tourist boards and the Youth Hostels Association to the London Council for the Accommodation of Women and Girls and the YMCA. A comprehensive list is to be found in Gabbitas, Truman and Thring's excellent guide to *Education after 16*.

A. F.

The first girl boarders to break a 500-year tradition at the formerly boys-only Oundle School look over their future accomodation block. From left: Robie Sissons, Elsbeth Turnbull and Polly Grint

Breaking down the walls of tradition

ONLY ONE generation ago, the prospect of a daughter going to her father's old school – and his old prep school, and his old college – may have seemed more unlikely to a conventionally-educated Englishman than the thought that man should walk on the moon.

Yet in 1989 more than a sixth of the pupils in Britain's Headmasters' Conference schools (traditionally "boys' public schools") are girls. The majority of prep schools whose heads form the Incorporated Association of Preparatory Schools (IPAS) are now co-educational. Yet single-sex schools remain at both levels, and pupil numbers have not fallen in the Girls' Schools Association schools.

The message is that there is now a real choice for *both* sexes. But while the GSA (with rare exceptions) still sees the single-sex principle as one to fight for, the shift in attitudes in boys' senior schools has been dramatic.

The range for the changes are likely to be as mixed as any human motives: genuine conviction, response to demand, empty places, all must have played a part. But the places would not have been filled without a corresponding fundamental change in parental attitudes.

Schools, both boys' and girls', were once quite unrelated to outside life. They had their own (often artificial) structures and pressures; their social habits were essentially inward-looking. It can be no coincidence that co-education first took root at the extreme ends of the system – the prep schools, nearest to family life; and the sixth forms, nearest to the adult world.

I believe that a major factor in creating more liberal school life-styles is, paradoxically, the much-quoted "decline of family life." Many people can no longer give their children a stable, two-parent family – certainly not one with a mother always at home. And these circumstances are not generally desired or sought; most parents are anxious rather to minimise the child's loss and to find a replacement as much like family life as possible.

With brothers and sisters, an education together can be an attractive proposition. The two may never meet if they don't want to, but they have an important part of life in common. And if a girl has no brothers, or a boy no sisters, a mixed environment can be seen as an advantage.

How has co-education happened? In the day-school world many old high schools and grammar schools were there already. Some "progressive" boarding schools, such as Bedales, Bryanston and Gordonstoun, have been fully co-educational for some time. But what is attracting attention now is the radical shift among the traditional boys' boarding schools, whose foundation springs from the 19th century world of men like Arnold, Thring and Sanderson, reformers in their day, but many of whose schools were fossilised for long periods into caricatures of masculine values at their most hierarchical, philistine and emotionally crippling.

At the same time girls' boarding schools at their worst could be priggish, petty and suffocating. Both boys' and girls' schools for a time made a virtue of excluding all contact with the opposite sex, so it is not surprising that one form of reaction would be to see this as potentially damaging.

Anne Kiggell examines the pros and cons of single-sex and co-ed schools

Most of the older schools (notably Marlborough 20 years ago) put the first toe in the water with a few sixth form girls. This always had an artificial air. Girls were hand-picked to be able or likely to cope. The boys with whom they would live were not, after all, hand-picked to accept them. The system has undoubtedly had its great successes, but the price has often been high, and it has usually been paid by the girls.

It is a matter of speculation whether co-education would have spread down from the sixth forms to any great extent. What is certain is that it is spreading up from the prep schools. Here, too, some original motivation may have been economic, but it would be hard to find a co-ed prep where the principle has not become conviction in practice.

Inevitably, parents who have seen co-education working happily at this level have looked at what was on offer at senior schools. Clifton, Rossall and Oakham were among the earliest of the traditional boys' schools to see and meet this need and to take girls from the first year, as Marlborough is doing this year, and as Oundle and King's, Canterbury, will do from 1990.

Most have to move slowly. Clifton particularly, at present just opening its second girls' house, is realistic about the speed at which the school can modify a strongly masculine image. The school will probably not move beyond the one-third/two-thirds ratio. Gordonstoun, with 17 years experience of virtually full co-education, still thinks that boys need to outnumber girls slightly to achieve balance in practice.

Boys' schools which intend to remain single sex are not unduly defensive. And, of course, it is essential that there should be a choice. Girls' schools are in a more difficult position, because they see themselves has having more to defend. The best of them were pioneering institutions recently enough for their principles to seem worth fighting for *still*: an independently organised education for girls as good as (and in some cases better) than that available for boys. Cheltenham Ladies' College, Roedean, the North London Collegiate School, and the schools of the Girls' Public Day School Trust represent something incomparably important in British education.

The Girls' Schools Association claims vigorously that girls do better in schools where they are free from sex-related pressures at work and where their role models are successful and authoritative women. They are justified in their belief that they meet a real need by the increased figures for girls in single-sex schools.

There are valid arguments for both single-sex and co-educational schools, even if there is a remarkable unofficial consensus that boys need girls around more than girls need boys. Parents, head teachers – and the more articulate pupils – will have their own views about what is right for each individual. It is the pride of the independent sector to provide harmoniously for them all.

■ *Anne Kiggell is Editor of the magazine* Prep School.

Victorian values pass the test

Elon Salmon pays a visit to a centre of academic serenity

PARENTS who want a gentler academic climate for their children seek out schools such as Abbotsholme School, set on the outskirts of Uttoxeter in beautiful rural Derbyshire.

The school this month is celebrating its centenary. It has come a long way since its foundation by Dr Cecil Reddie, an eminent Victorian with then revolutionary ideas about education. Today, the School's chief claim to fame lies in music and art. Since 1969 it has been totally co-educational. But Reddie's ideals remain, as before, at the heart of the school ethos.

An old photograph of Reddie in class suggests a Socratic method of enquiry rather than magisterial induction of knowledge. Certainly his method of teaching was less formal than was normally found at the time. His emphasis in education was shifted from the then rigid competitiveness of the public school towards spontaneity, leadership, and compassion to other people. Command of facts and the pursuit of academic achievement were put below the search for understanding of life.

The boys wore Norfolk jackets; there was no school uniform in the accepted sense. Of course, the environment played a central role in this. The estate of Abbotsholme provided a perfect setting; now as then, it has an immediate appeal to the senses; it imparts an atmosphere of easy protective serenity.

A pupil's recollection of arrival, published in the latest issue of the School's magazine, the *Abbotsholmian*, reads as follows: "The first thing that struck me about Abbotsholme was how friendly all the pupils are. Everyone speaks to everyone . . . Not only are the pupils friendly, but so are the teachers. Here the pupils treat the staff like humans, and they act like humans in return . . . It amazed me just how clean the school was kept . . ." and so on. A laudatory tone persists throughout the magazine.

The writer's impressions are evidently widely-shared. It seems that the school has grown accustomed to taking them for granted. When parents of prospective pupils come on a visit, more often than not they are taken on a tour of inspection by a select pupil, not by a member of staff.

Time, and probably market forces, have edged Abbotsholme School closer to conformity with "establishment" education. Reddie's idea of a "New School" is no longer new, far from radical, and hardly innovative. In fact, compared with some other independent co-educational schools with which it has to compete, Abbotsholme appears almost conservative, standing solidly at the half-way point to a public school.

But Reddie's concepts, still mostly unmodified, continue to determine the school's character: a more relaxed, informal teaching, aimed at fostering in pupils a balance of harmony with the natural world, a sense of responsibility, self-reliance, and readiness for cooperation with other people. Abbotsholmians may not be academic high-flyers, but, cocooned for their formative years in delightful surroundings, they are, if anything, happy.

The 250 boys and girls enjoy a teacher-pupil ratio of 10:1. Classes are seldom larger than 20 pupils, and the subjects on offer are many and varied. In addition to the regular curricular disciplines, there is computer studies, technology and design, agriculture (to which, with its working farm of 140 acres and a breeding herd of pedigree Charolais, Abbotsholme School is particularly suitable), as well as an impressive list of outdoor activities.

Darrell Farrant has been Headmaster of Abbotsholme since 1984. Abbotsholme, he explains, welcomes pupils from diverse social backgrounds, and from abroad. There is an entrance examination, apparently not too stiff. Various scholarships and bursaries may be won by promising pupils of lesser means. But an annual fee in excess of £7,500 inevitably restricts attendance to the more prosperous.

Twice a year the school demonstrates its commitment to outdoor life and environmental awareness by decamping for three days at a time on hikes, canoeing, rock climbing and camping around Britain.

On balance, academic achievement in Abbotsholme compares favourably with other schools. While GCSE is the highest some Abbotsholmians can hope to attain, good A-level results are not uncommon in the Upper Sixth, which numbers on average 30 to 35 a year. Of these 70 per cent go on to a degree studies course in universities or polytechnics. About nine Abbotsholme pupils a year successfully apply to either Oxford or Cambridge.

One who is set to be among these is Alistair Slater, the incumbent Head of School. He has been here since the age of 11. Like most Abbotsholmians, his readiness to face the world appears tinged with sadness at leaving. He points to the science laboratories, where his own chosen discipline has developed. Past the gym, and the nearby open-air heated swimming pool, a member of the staff is greeted with "Hello, Sir." A distinct egalitarian tone in the "Sir" is discernible.

In the farmyard stands a young Charolais bull, frisky but not dangerous. "Pupils who step out of line get a few hours work on the farm as a punishment," Alistair explains. Pupils who do not specialise in farming, that is.

Past the studies of the Six Formers, you come to the Music Department. Purpose built to afford the best facilities, it was built by Old Abbotsholmians, as were other parts of the school, a solid show of lasting commitment. The chapel is not visually impressive, but it serves an impressive purpose. It is here that the vaunted Abbotsholme Art Society holds its concerts, with star performers such as Alfred Brendle, Vladimir Ashkenazy, and the Chillingrian Quartet.

Abbotsholme's virtues may be writ large, but how does creative imagination fare in such an apparently idyllic setting? Blandly, if the School magazine is anything to go by. The note quoted at the beginning of the articles sets the tone. No arrogance of youth here; no bright clever young things, testing their wits in rebellion. It might have been a part of the school prospectus. How would the likes of George Orwell, who saw school as a battleground for survival, have developed here? Would they have flourished? Or wilted?

Promises, promises, from the '89 vintage

***Edmund Penning-Rowsell** wonders if this will be one of the great years for Bordeaux*

WELL BEFORE the grapes were picked, the 1989 red Bordeaux vintage, like the 1982 and earlier much less successful years such as 1964 and 1970, was being shouted home as "the vintage of the century" – with another 11 years to go.

What grounds have there been for this? First, from the beginning in April the growing season was exceptional. In May there were 19 days with temperatures over 25C (77F), compared with a previous record of nine days as long ago as 1947.

Consequently, the vine flowering was unusually early at the end of that month and passed off quickly without any of the loss of grapes (*coulure*) or tiny berries (*millerandage*) that often reduces the potential crop.

June was almost totally dry, storms occurred in July and August was dry but not excessively hot. As a result the vintage started in August for the first time since 1893 which saw the best year since the phylloxera of the late 70s and 80s.

The dry white vintage began about August 21, and the first vats of the Merlot black grapes were filled at Haut-Brion and Latour on the 31st. Palmer, with a lot of Merlot, started on the 4th, and Pétrus, almost entirely so, on the 6th. Then there was a varyingly lengthy pause before the later-ripening Cabernet-Sauvignon was picked, but in the Médoc most had finished by the 26th – a date on which the vintage often begins. But it was later elsewhere.

At Haut-Bailly in the Graves, for example, picking ended on October 6. Everywhere the Merlot was strong in alcohol, and the Cabernet sufficiently so as to reduce chaptalisation – sugaring of the must – to the minimum, in some cases eliminating it.

Further grounds for optimism were that there were no obvious faults: the degrees were high, the tannins that can delay maturation were ripe, and there was enough acidity to provide backbone, although this may depend on technical skills less prevalent in more basic red Bordeaux than in the upper echelons.

At these levels there was a great deal of grape thinning in July to ensure concentration of flavour. Although the claret vintage is said to be a large one, this is not so everywhere. At Mouton-Rothschild it was 15 per cent down on 1988 and 10 per cent at Latour. Overall the *appellation contrôlée* is predicted to be the same as 1988, but this is because the dry white crop, though of excellent quality, is about one-third less than last year. Sauternes should be very good too, provided that it secures enough of the botrytis ("noble rot") in an autumn more humid than hithertoo.

All this sounds promising, and there is no doubt that 1989 will turn out a very good vintage, but until the fermentation, including the second, malo-lactic fermentation, is over and the young wine is in the casks, no one, from the first-growths downward, is prepared to say for certain that it is a great vintage.

An inevitable if irrelevant question is what vintages 1989 may resemble. In fact no one closely resembles another; however, some suggest that it will be a blend of 1982 and 1986. There are bidders for 1961, but this comparison should be ruled out because spring frosts meant the Merlot was wiped out in that year and it was a very small Cabernet vintage.

James Ferguson

A likeness to 1959 has its supporters, while Thierry Manoncourt of Figeac and Raoul Blondin, the veteran *régisseur* of Mouton-Rothschild, plump for 1947.

And the prices? At the lower end there will be little change for the red wines, as the domestic market for generic wines is highly competitive and Bordeaux wants to retain its lead over the Côtes-du-Rhone and Beaujolais, due for a hefty 22 per cent increase this year.

The very short dry whites are expected to be at least 25 per cent dearer, with the good wines sold out very quickly. The red *crus bourgeois* are likely to rise by no more than 10 per cent.

However, it is a very different matter with the classed growths and some internationally-known wines in their compass.

For one thing, the first-growths have not increased their prices since 1985, and not much since 1982; and they have inflation in France too. Secondly, in recent years there has been a great increase of *en primeur* buying within France, and a leading Bordeaux merchant told me that he had "never seen such excitement among private French growers."

Much, nevertheless, will depend on the US market. The last time it "went mad" was over the 1982s and the last vintage bought substantially *en primeur* was 1985. Prices raced up for the 82s in the summer of 1983 when the franc/dollar rate was around 7.6 and rising in favour of the latter. Today it is 6.33 and unlikely to rise greatly by next summer, but who can tell these days?

If the Americans turn out to be big *en primeur* classed-growth buyers, and signs of this have been detected in Bordeaux, it will largely be for speculation, a factor also relevant, of course, to the UK market which bought the 1982s heavily, not least for the Business Expansion Schemes. Yet a fairly recent big issue in the US is the anti-alcohol campaign. From the middle of next month every bottle of wine entering the country must bear the following label:

According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because the risks of birth defects.

Consumption of alcoholic beverages impairs your ability to drive a car or operate machinery, and may cause health problems.

This label must appear prominently, and 1987 is the last vintage that escapes it. Will this affect 1989 "investment" buyers?

Although prices have not been discussed in Bordeaux it is pretty clear that the first-growths, whose 1988 prices opened at FFr 180 a bottle (and are now selling at FFrs 275-300), will raise their prices by at least 20 per cent to around FFr 220. And when father turns – and it might be Mouton-Rothschild – all turn. The ever-ambitious top seconds and their equivalents are likely to rise from FFr 110 last year to about FFr 140. However, less aspiring classed growths may recollect that there are still unsold 1986s in their cellars or on the market, that there is a 42 per cent profits tax in force, and thus feel it best to offer their wines initially at drinkable prices. After all, the 80s have produced more successful large claret vintages than any other decade in living memory, and even the initially largely rejected 1987s are coming into favour for early drinking.

At least six months will elapse before claret drinkers here need to make up their minds about buying 1989 "opening offers," and by then the quality will be much clearer, merchants will have tasted the wines, and some indication of price should be evident. There is no reason to doubt that at middle levels they will be good value for money but if for the top 20-30 growths it becomes an "investment vintage," as seems not unlikely, one might wait and see. After all, prices of the last "vintage of the century", 1982, have not advanced much in the last few years.

It's the staff, you see

***Nick Lander** examines why the catering industry fails to attract high-calibre workers*

NEXT TIME you go into a restaurant, be aware of a crisis. Not the usual one of whether it will accept your credit card – but one more basic; will it have enough staff of the right calibre?

There is scarcely a single hotel or restaurant in the country not complaining about a shortage of staff from skilled chefs to the non-trained, but essential, apprentice. Even those restaurants and hotels which have been long immune to such difficulties through their connections in France – such as members of the prestigious Relais and Chateaux group – are advertising for staff. And those recruitment agencies which specialise in catering staff are complaining too because, with so many vacancies, they cannot keep their customers, the hotels and restaurants, happy.

Part of the reason for this lies in the boom in the catering industry. Between 1977 and 1987 the number in hotel employment rose from 230,000 to 300,000 and in the restaurant trade from 115,000 to 240,000, and this trend is likely to continue. Overall it is estimated that the industry will require a further 230,000 new employees by 1993. Nor will we able to count on foreign chefs and waiters. At a recent conference on the industry's labour needs, of the 16 international delegates – including France, Australia and America – only two, Eire and Denmark, did not report near critical problems in recruiting staff.

In the light of this, and the forecast downturn in the number of schooleavers in the 1990's, it is somewhat reassuring that the industry has designated November 6-10 as National Careers Week in Catering. During that week more than 1,000 catering establishments, including the catering units of the RAF, the Navy, the Army and British Airways, will open their doors to schools and colleges.

In addition, the weekly trade paper *Caterer and Hotelkeeper* has published 90,000 copies of an ambitious 32-page brochure called The World of Hospitality. This tries to tempt by outlining some of the job satisfaction to be gained in the industry – hotels, restaurants, pubs and mass catering – and lists most colleges offering catering courses.

The week, it is hoped, will also change attitudes, not only of schooleavers but of their parents. For too long the catering industry has been seen as a last resort, an industry without a proper career structure, one with only small financial reward for long shifts and one that was not really socially respectable.

Sadly, until recently, the industry did nothing to change this image. Last year, a restaurateur was complaining to me about his profits. Twenty years ago things were different he said: margins were healthy, Argentinian steaks cost 3s6d (old money) and you could sell them for 17s6d each, wine in litre bottles from France and Algeria was good and cheap, there was no VAT and everyone paid cash – very useful for paying suppliers and the staff.

But while restaurateurs grew cash-rich nothing was ploughed back for the good of the industry. When David Nicholls, now 32 and responsible for 1,000 meals a day as head chef of the Royal Garden Hotel, London, went to take the highest exams open to professional chefs more than ten years ago he was told that although the exam called for guinea fowl, it was far too expensive and he would have to make do with chicken! Nor was much done to improve the image of the chef or waiter – both were underpaid, forced to work anti-social split-shifts (i.e. both lunch and dinner services) and almost encouraged to supplement their meagre wages by pilfering.

Although much remains to be done, and it is sad to report that the Low Pay Unit spends far too much time investigating claims among mainly the non-skilled in the catering industry, the industry has improved dramatically. It can now offer a definite career structure, both in the kitchen and dealing with the general public and, once learnt, a wide range of skills easily portable worldwide.

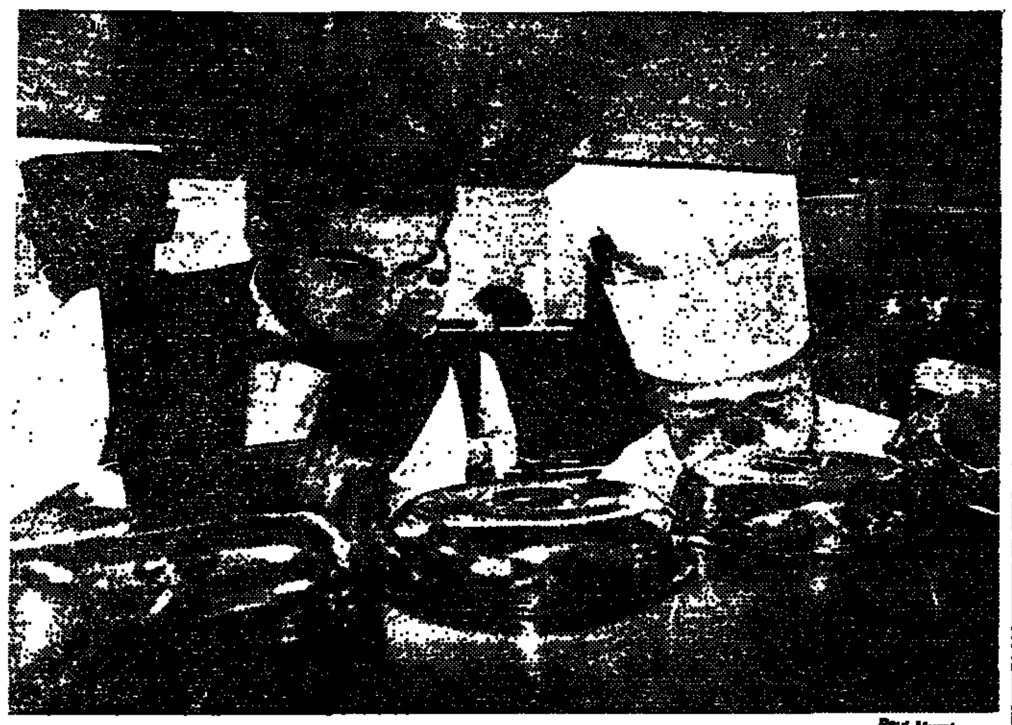
Over the past decade the industry has also opened its doors to a wider spectrum of newcomers. Television has played its part in this, with the plethora of cooking programmes highlighting the job satisfaction if somewhat glamourising the nuts and bolts of cooking. But now Britain can boast that three of its most interesting chefs are Oxbridge graduates – Alastair Little, Rowley Leigh and Rick Stein – as well as a number of top female chefs who have proved that although a chef's role is physically demanding it can benefit from female inspiration – Sally Clarke, Joyce Molyneux, Betty Allen and Gunn Eriksen. The colour barrier, too, is being broken down – two of my best sous chefs were West Indian – although there should now be similar equality front of house.

More too is being reinvested by those who have benefited from the restaurant boom; American Express sponsors the Young Chef and Waiter of the Year with the Restaurateurs' Association, Diners Club the British Chefs' Scholarship and today's top chefs are taking far more interest in the work of the 300 colleges throughout the country offering catering courses.

The colleges themselves have adapted quickly, despite educational cuts and the absence of any encouragement from this government towards healthier and better food. More thought and energy is being put into bolstering college trading revenues to make up for these cuts and to put their assets – their staff, their students and what they produce – to good effect.

Thames Valley College in Slough, the country's third largest catering college, is paid by the borough of Windsor and Maidenhead to run courses on its behalf on food hygiene for all the food outlets in the borough. Westminster College, Vincent Square, London, SW1, the country's only catering college from 1910 to 1939, now houses completely new kitchens and restaurants – modernised in 1985 at a cost of £2.7m – which serve 3,000 meals a week. Most of these are sold to the students, but 400 meals a week are sold to the public in their two restaurants at lunchtime, while a private room brings in evening "function business."

The larger restaurant offers four starters and four main courses, dessert and coffee for £7.50 – the small *à la carte* restaurant costs about £13 per person. All the food is prepared, cooked and served by the students, under the strict supervision of at least three vigilant members of staff. It is extremely good value, providing an exciting glimpse of just what this country could be offering in the next decade. Book two to three weeks in advance on 01-828-1222 between midday and 2pm.



Trainee chefs and waiting staff at Westminster College — Paul Murphy

This really is hard cheese

IT IS A sad irony that *The French Cheese Book**, Patrick Rance's magisterial guide book to the cheeses of France, should appear at such a dark time for lovers of real cheese. Just at the moment, in fact, when the right to market properly mature, traditionally made cheeses hangs in the balance.

The latest threat follows the listeriosis scare of earlier this year and it takes the form of a government white paper which proposed to protect the general public from cheese handling which might result in infection from the disease.

In its concern for the health of the man in the street, the proposed amendments to The Food Hygiene (General) Regulations 1079 SI 1172 are wise measures, only once again the government is set to put the cart before the horse. Time and again, the evidence points to the fact that the public is chiefly at risk from shoddily made industrial cheeses. There has been no indication of any problem resulting from eating unpasteurised farmhouse cheeses and pasteurisation in some cases seems to encourage rather than prevent the development of listeria monocytogenes.

The dangerous part of the proposed legislation lies in the temperatures at which cheeses will have to be stored in shops. Traditional cheesemongers take on the job of maturing cheeses and it is their judgment which decides when a cheese is ready to eat. In all cases the best storage temperatures for ripening cheese are in excess of 10 degrees C. In the case of blue cheese the maximum temperature for storage would be 12C, for all other cheeses 15. The government's proposals would limit soft cheeses to 5C and hard ones to 8. At these temperature levels the cheeses simply cannot ripen.

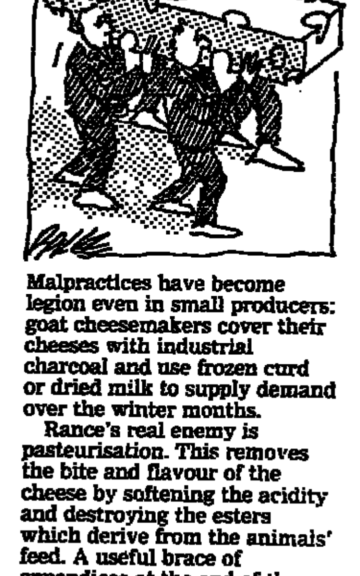
Some of the findings of the report have been welcomed by cheese retailers. Juliet Harbutt, of the specialist cheesemongers Jeroboams, praises the government's proposal to enforce refrigerated transportation for cheeses, but certain malpractices which occur in supermarkets and delicatessens cannot be so effectively controlled. Stocks are rotated in a haphazard way, cartons are left by the side of heating outlets, display cabinet lights cook the cheeses beneath them. What is needed is not legislation but a higher level of health education for those people handling cheese.

At this unpropitious time comes not only Rance's book, but a French government campaign to promote their cheeses in this country. This kicked off with a press tasting last month when wine consultant James Rodgers delivered his cogent judgments on the right wines to accompany French cheeses.

Rodgers' wines were splendid but what were the cheeses? For the most part, the outpourings of industrial giants such as Bongrain and Besnier. My heart went out to him when he was asked to match *Boursin à l'ail* with a suitable wine. It can be pleasant enough as a lunchtime snack, but the only drink likely to be able to stand up to it would be a glass of brown ale.

What the French government *should* be promoting is to be found in the 500 and more pages of Patrick Rance's new book. Rance's heroes are the cows, goats, ewes and pastures of France. As in his earlier *Great British Cheese Book*, Rance is a stickler for ancient breeds. Camembert and Livarot should be made from the Normande cow, and not the ubiquitous Frisonne-Holstein, in the Basque country the Bazadoise is dying out, in the north the Maroilles breed has become extinct. Happily, the Montbéliarde cow is still making the blue cheese of Gex and the Comté of the French Jura, just as the Abondance gives its milk to one of Rance's favourite cheeses, the Beaufort of Savoy. Pastures flavour the milk with their aromatic esters and these appear in the cheese as long as pasteurisation does not take place.

As Rance reveals, France has its problems, much like this country. Famous cheeses are disappearing. There is no more proper Port-du-Salut produced by the monastery which invented it. Farmhouse Brie is a considerable rarity.



Malpractices have become legion even in small producers: goat cheesemakers cover their cheeses with industrial charcoal and use frozen curd or dried milk to supply demand over the winter months.

Rance's real enemy is pasteurisation. This removes the bite and flavour of the cheese by softening the acidity and destroying the esters which derive from the animals' feed. A useful brace of appendices at the end of the book provides a resume' of the listeria debate, showing that pasteurisation is by no means the answer to the problem. The Department of Health would be wise to take note.

**The French Cheese Book, foreward by Jane Grigson, Macmillan £16.95.*

Giles MacDonogh

This sporting life

***Lucia van der Post** finds a book to satisfy healthy appetites*

WHEREVER sportsmen and women are gathered, you will find an intricate set of rules and rituals, among which the food that is served at each event is among the most sacred. Even close friends can fall apart over the delicate matter of whether hot stew or roast beef sandwiches are the most sustaining for a cold winter's walk over the fields and coverts.

For cooks everywhere, the business of feeding those returned from their efforts on moor and stream – from tennis court or the hunt – is a challenge. Anybody who is surrounded by those who like to shoot or hunt, who have a fondness for the turf or the playing field, might like to dip into *The Sporting Cookbook* by Angela F. Rawson & Nikki Rowan-Kedge (The Sportsman's Press, £15). They have collected the sort of recipes that were the backbone of Victorian tradition – Kedgeree, Queen of Puddings, Bread and Butter Pudding (the version preferred by The Prince of Wales) Potted Beef, Venison Sausages, Cumberland Sauce, Molasses Spiced Beef in Beer. Many recipes have been culled from famous sporting novels and from the great Victorian cookery writers. Some have come from famous sporting personalities, others have been passed on by word of mouth, from generation to generation.

Here is a classic and authentic pudding of the sort to bring a chap hurrying home at the end of a long day's sport.

DARK CHOCOLATE PUDDING WITH HONEY AND WHISKY SAUCE

To serve 4 - 6

A great favourite with almost everyone who loves puddings; it often appears on the menu of shooting lunches during autumn and winter

30g/1oz (¼ cup) cocoa powder
125g/4oz (½ cup) butter or margarine
2 eggs, beaten
125g/4oz (½ cup) caster (superfine) sugar
a few drops of vanilla essence (extract)
a little milk to mix
180g/6oz (1½ cups) self-raising flour
(cake flour plus 1 tsp baking powder)
For the sauce: 1 wine glass of whisky
4 tbsp clear honey
¼ litre/½ pint (1¼ cups) milk
125ml/¼ pint (½ cup) double (heavy) cream
juice of two lemons
1 heaped tbsp cornflour (cornstarch)

Half fill a large saucepan or steamer with water and put it on to boil; grease a ¾ litre/1½ pint pudding basin.

Cream together the sugar and butter or margarine until fluffy and pale. Add the beaten egg and vanilla essence a little at a time, beat well.

Make a smooth paste with the cocoa powder by adding a tbsp of hot water. Pour this into the egg mixture.

Sieve the flour and using a metal spoon, fold in half the flour to the egg and butter mixture. Add sufficient milk to give a dropping consistency, fold in the remaining flour and a little extra milk if required to keep a smooth dropping texture. Pour the mixture into the basin, cover with greaseproof (wax) paper and secure with string. Steam for 1½ hours. To make the sauce, heat the ¼ litre/½ pint (1¼ cups) milk gently, slacken the cornflour (cornstarch) with a little cold water and add to the milk. Pour in the honey and stir well until the sauce thickens. Stir in the whisky and lemon juice. Gently beat in the cream.

Pour the sauce over the cooked hot pudding when ready to serve, or serve separately in a warm jug.

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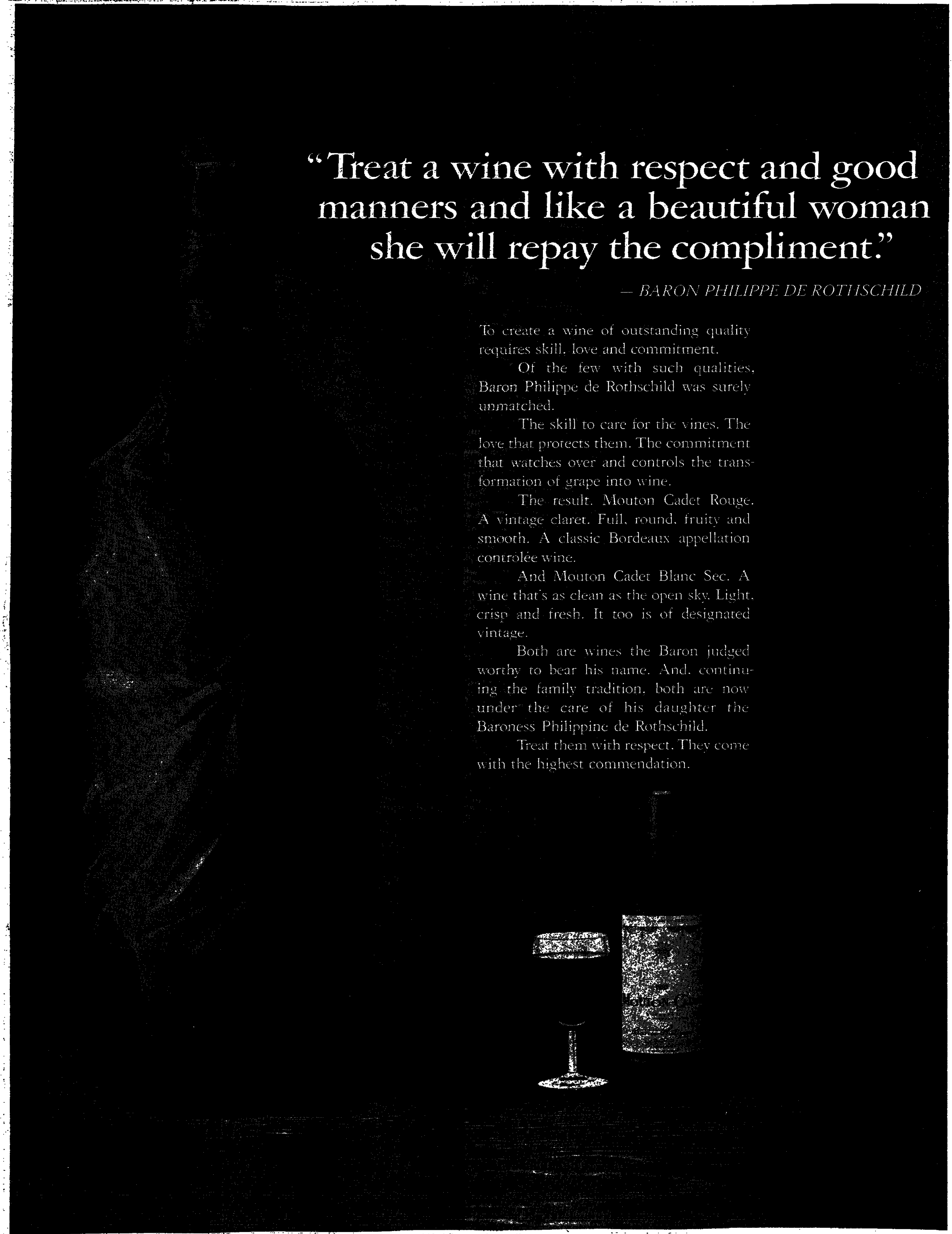

"Treat a wine with respect and good manners and like a beautiful woman she will repay the compliment."
— BARON PHILIPPE DE ROTHSCHILD
To create a wine of outstanding quality requires skill, love and commitment.
Of the few with such qualities, Baron Philippe de Rothschild was surely unmatched.
The skill to care for the vines. The love that protects them. The commitment that watches over and controls the transformation of grape into wine.
The result. Mouton Cadet Rouge. A vintage claret. Full, round, fruity and smooth. A classic Bordeaux appellation controlée wine.
And Mouton Cadet Blanc Sec. A wine that's as clean as the open sky. Light, crisp and fresh. It too is of designated vintage.
Both are wines the Baron judged worthy to bear his name. And, continuing the family tradition, both are now under the care of his daughter the Baroness Philippine de Rothschild.
Treat them with respect. They come with the highest commendation.

PROPERTY

Where ground rent costs a Cornish pasty

***Michael Hanson** finds that the interest rates rise has had a crippling effect on property in the south west*

LONG AFTER the property boom had subsided in the south east, estate agents in Cornwall were still talking about a revival of the local *economy*, largely attributable to the efforts of a one-man development corporation, Peter de Savary, in acquiring Land's End, Falmouth Docks and Hayle Harbour.

Even he has checked his customary whirlwind pace to take account of the slowdown in market activity. Having paid £6.73m for the 105 acres of Land's End in October 1987, he has since spent a further £5m on improving the facilities for visitors and protecting the natural environment.

The 34-bedroom State House hotel has been upgraded, an excellent visitor centre has been built, and the First and Last Inn at Sennen has been refurbished. Land's End now employs 180 people and attracts 750,000 visitors a year, earning de Savary English Tourist Board's award as tourism personality of the year.

At Falmouth, however, where the docks and ship repair yard have been revitalised, de Savary has frozen all sales and marketing on the adjoining 10-acre site bought for about £2m in 1987, where nearly 50 per cent of the £40m Port Pendennis Harbour Village and its 65-berth marina have been completed by the Mowlem subsidiary, E Thomas Construction.

Humberts (tel: 0872-72819) has received 2,500 inquiries for the 213 waterside apartments and houses at prices from £109,000 to £328,000, but so far only one buyer has moved in. The properties are being sold on 1,000-year leases at a ground rent of one 8 oz Cornish pasty a year – if demanded.

Davon Holdings has cut the prices of its developments in Falmouth in an attempt to attract buyers. Now the six flats in Hamilton Place are from £130,000 to £235,000, and the *four* remaining in Dashwood House are £95,000 each, but "most people have to sell *their own place first*," says Sue Matthews of agent Richard Hocking (tel: 0326-319339). At *Hayle* – the *last place* one would imagine to have been the birthplace of Florence Nightingale Graham (1884-1960) founder of the Elizabeth Arden cosmetics empire – Peter de Savary's Aldersgate Developments plans a £250m development with up to 1,000 houses and an all-weather holiday centre on 138 acres of the 900-acre rundown fishing harbour.

David Bellamy has persuaded de Savary to allocate 275 acres for a nature reserve, and the rest of the site is saltings, sand dunes and the harbour. Royal Assent has been given to a Bill allowing the Hayle Harbour Company to improve the harbour, and architects Andrews Downie and Partners are now working on detailed plans for the first phase of 142 waterside houses, a small shopping centre and a museum, for which planning permission has been given.

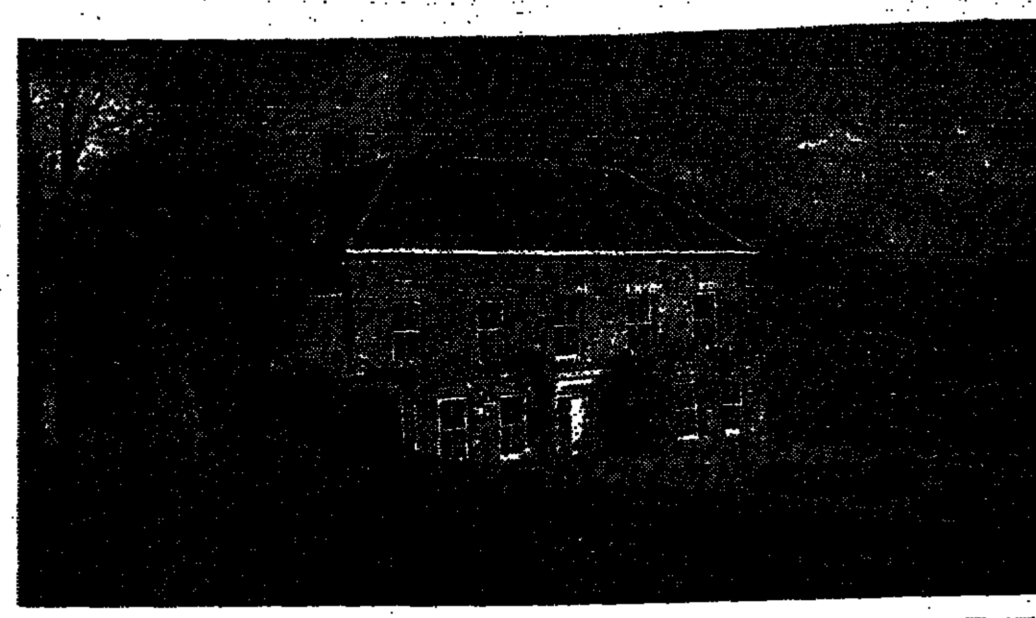
Charlestown, the harbour used as the setting for the TV series *Poldark* and the *Onedin Line*, was bought at auction two years ago for £2.6m by BOM Holdings, a company run by David Bulstrode, now deceased but formerly chairman of Queens Park Rangers, and Michael Lucas. Shortly afterwards, BOM sold it to another property company, Swordhurst, run by Michael's brother, Stephen Lucas, and Barry Williamson.

Swordhurst's proposals for a mixed development around the old china clay harbour, where 26 of the 30 industrial buildings are standing empty, were announced in July 1988, but the planners did not like the details. Revised plans for 120 houses and flats, 12 shops, 20,000 sq ft of industrial buildings and 12,000 sq ft of offices were again deferred by the local planning committee at last month's meeting.

House prices rose 45 per cent in the south west in 1988, according to the Bristol and West Building Society, and agents expected them to continue rising, but the usual stream of buyers from the south east failed to materialise this year.

By Easter, when Bristol and West (which owns 66 house agents) found its statistics showed house prices still rising when they were patently falling, it decided to stop publishing its quarterly review of property prices. "Our figures were based on valuations of a sample of representative properties, not on our mortgage loans, and we didn't think they were very helpful," explains David Collett, Bristol and West's spokesman.

Aware that the Halifax says prices in the south west have only fallen by 1.8 per cent in the past quarter, after rising in the first half of this year, Collett says: "We cannot put a percentage on how much prices have fallen this year, but we think it is much greater than other building societies and the Building Societies Association suggest."



Truthan (above) an 18th century manor house that once commanded an estate of more than 5,000 acres, is still for sale through Miller and Co at £600,000 with 11.5 acres.

Offers over £375,000 are being sought by Strutt and Parker's Exeter office for the 60-acre West Kernick Farm (right) near Launceston

Leading estate agents in Cornwall put the fall at anything from 15 to 25 per cent, and the fall in the volume of house sales this year at up to 50 per cent of last year. They urge sellers to be more realistic in their asking prices, though this alone will not guarantee a buyer.

"There has been a radical reduction in the number of inquiries from people in London and the Home Counties, who over the past two years have pushed prices up," explains Ludvic Laskowski of Miller and Co in Truro. "Most vendors are not in a rush to sell, and buyers have lost their desire to make a rapid decision, in case prices go even lower."

Among Miller's best sales this year has been a bungalow at Restronguet Point with three-quarters of an acre of garden and long frontage to the sailing waters of Carrick Roads. Offered at £325,000, it attracted a local buyer at just over £300,000.

An old coastguard's cottage at Zennor, near St Ives, was sold at the asking price of £180,000 to an American who will use it as a vacation home. But Old Tresco House, St Ives, the award-winning renovation and *extension* by architect Barrie Briscoe, is still for sale at £325,000 through Miller (tel: 0872-74211). *So too is Lamorna* Cove, near Penzance, which failed to sell by tender in August, and for which Miller is now seeking £1m for its little granite-walled harbour, two car parks, a shop, a cafe, a cottage, a holiday flat and 25 acres of cliff.

Miller is also still seeking offers over £275,000 for the Wayside Museum at Zennor, owned and run since 1948 by Richard and Betty Williamson, whose two-bedroom cottage is included in the sale. Or, for £550,000, one can buy 113 acres with planning consent for an 18-hole golf course and country club adjoining Treassowe Manor, near Penzance, with spectacular views over the bay to St Michael's Mount.

Last month, just when most banks, building societies and insurance companies were regretting having bought so many estate agents, the Trustee Savings Bank added to its 182 agencies by acquiring the 16 offices of Stratton Creber – itself a merger of two West Country agents: Taylor Lane and Creber, which celebrated its centenary this year, and Stratton and Holborow, established almost 30 years ago.

Graham Adam, chairman of Stratton Creber Residential, says: "The market is [illegible] dead now. We thought we were beginning to see a revival in August and September, but the rise in interest rates has put the lid on things. Whatever the state of the market, though, there is always someone who will jump at the right property."

He hopes that someone with more than £1.5m will jump at buying the 699-acre Colquite Estate just north of Bodmin, for which Stratton Creber are joint agents with Knight Frank and Rutley. This has an 18th century house, [illegible] acres of arable land and [illegible] acres of woodland, over which a first-class shoot has been run on a commercial basis for the past four years by George Peter Hoblyn.

One of Stratton Creber's best sales this year has been Silver Tree Cottage on the island of Tresco, the second biggest of the Isles of Scilly. A buyer from the south east paid close to the asking price of £350,000 for a 99-year lease of this three-bedroom cottage, built seven years ago.

Tresco is held on lease from the Duchy of Cornwall by Robert Dorrien-Smith, who recently took five hours making a 45-mile sponsored windsurf in atrocious weather from Tresco to St Michael's Mount to raise £16,000 for the Isles of Scilly Environmental Trust, of which he is chairman. The trust works to preserve the natural, unspoilt beauty of the islands. It has a 99-year lease from the Duchy of Cornwall of all untenanted land, including the uninhabited islands, amounting to about 3,000 acres. Having opposed the building of the new luxury hotel on St Martin's, which brought it into conflict with its patron, Prince Charles, the trust is now fighting proposals to extend the airport on St Mary's. If it loses, the necessary land for the extension will be repossessed from the Trust by the Duchy of Cornwall.

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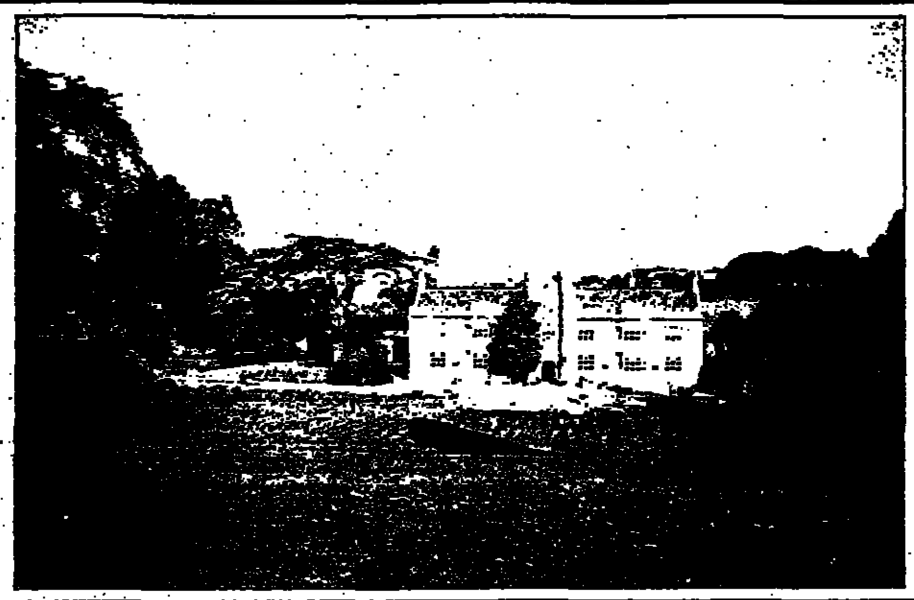

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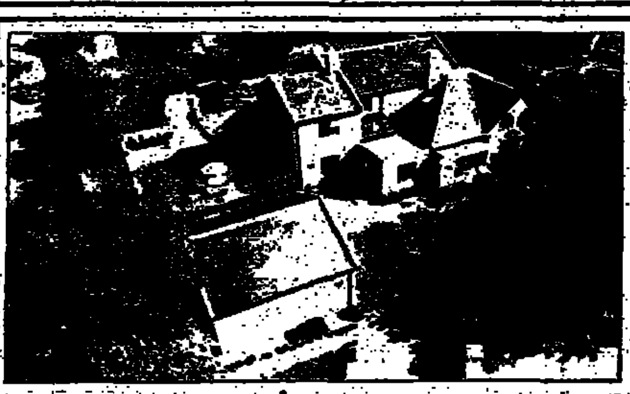

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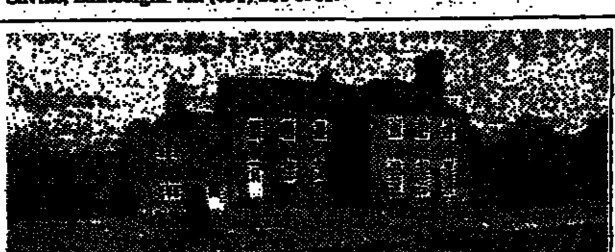
Savills, Guildford. Tel: (0483) 576551. Contact: Tommy de Mallet Morgan.



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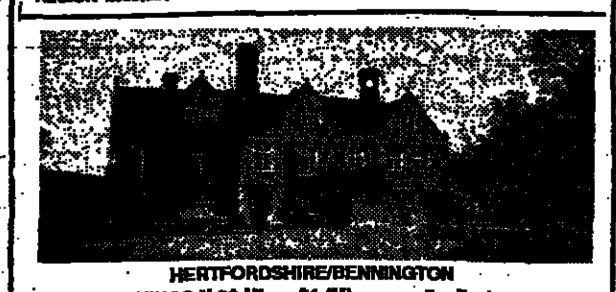

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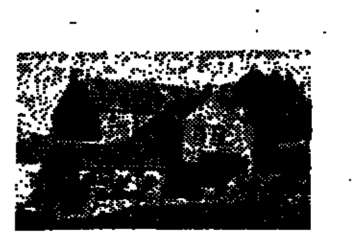

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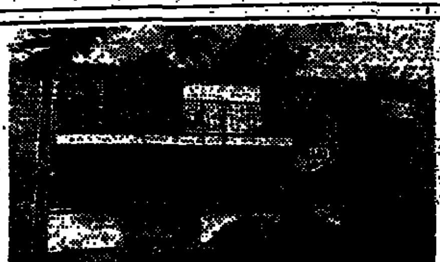

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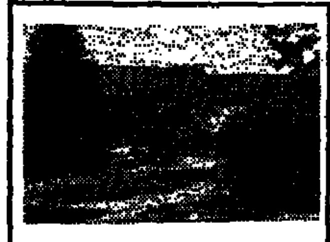

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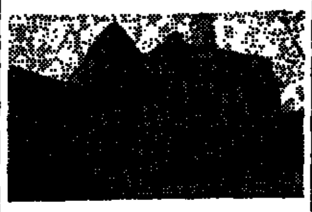

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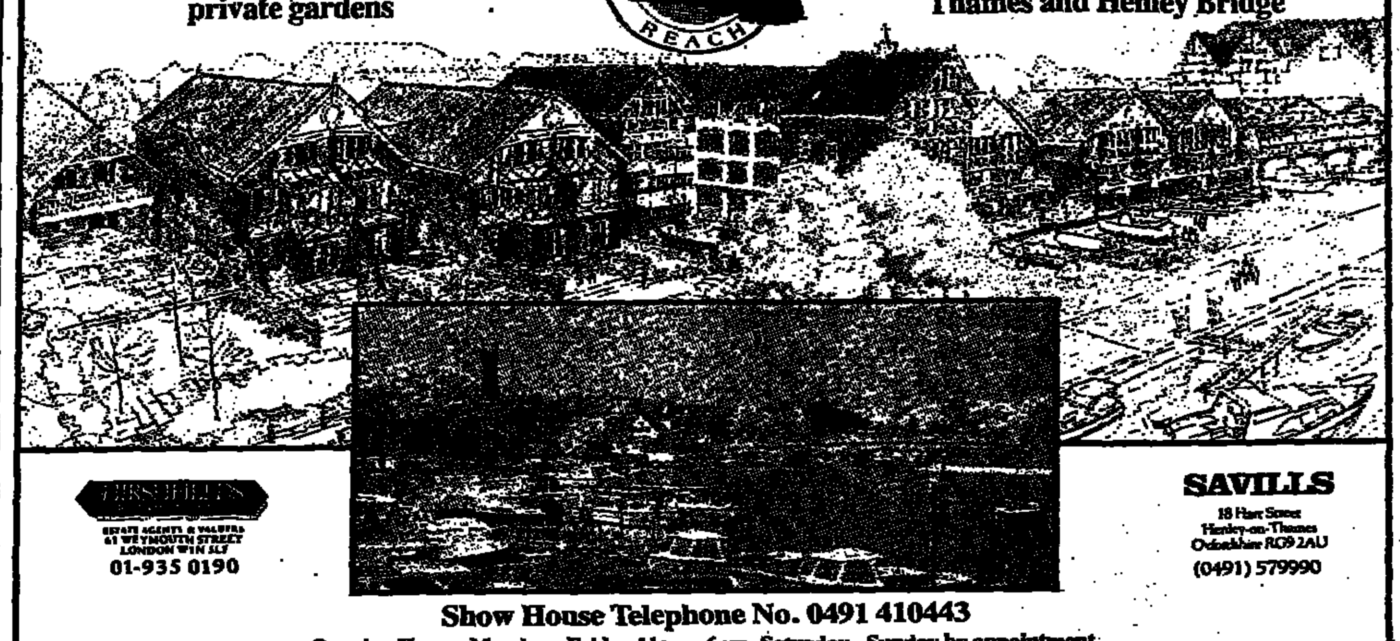

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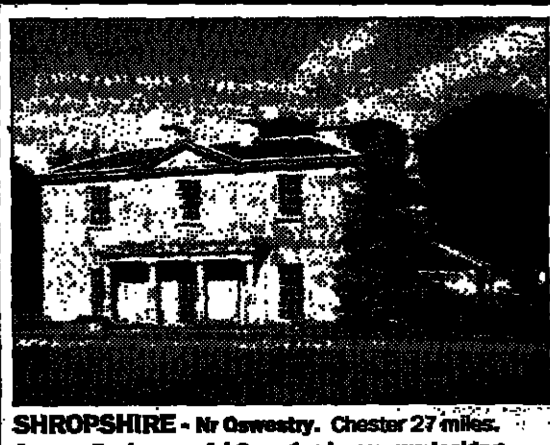

SHROPSHIRE - Nr Oswestry. Chester 27 miles. An excellent, peaceful Georgian house overlooking unspoilt parkland. Entrance hall, 3 receptions, domestic offices, 5 principal bedrooms, 2 bathrooms, 2 secondary bedrooms, 3 attic rooms. Garaging & stores. Gardens. About 2 acres. Region of £375,000. Further land available. Chester Office: Tel: (0244) 310274. Ref.12A91969.

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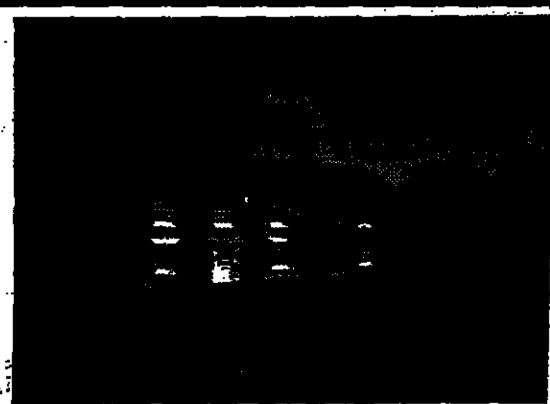

KENT - Stowting. Ashford 7 miles. A graceful late Georgian Grade II Listed house on the edge of a pretty village. 3 receptions, 5 bedrooms, 3 bathrooms, Double garage, garden store, stables. Swimming pool, gardens and paddock. About 5 acres. Region £380,000. Further 2 bedroom dwelling available by separate negotiation. Canterbury Office: Tel. (0227) 451123. Ref.8BD3215.

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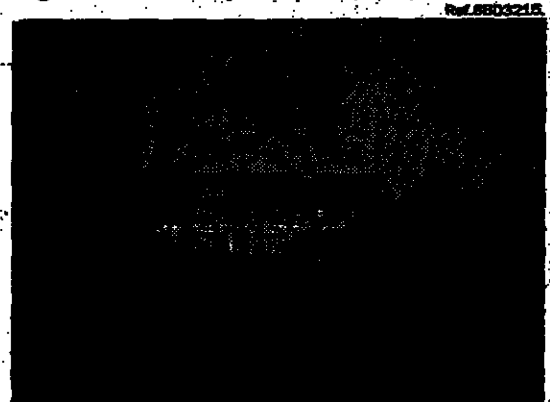

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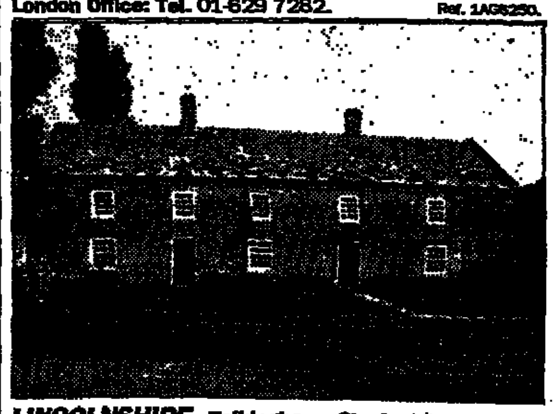

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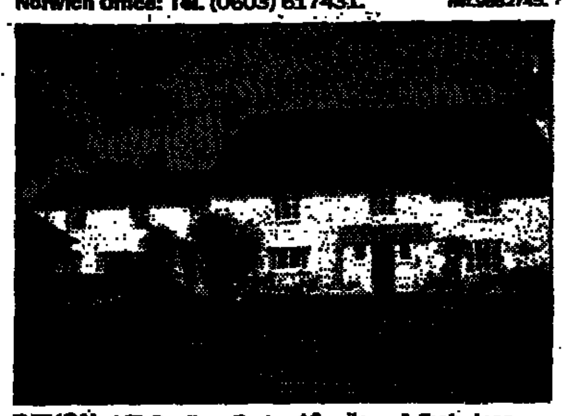

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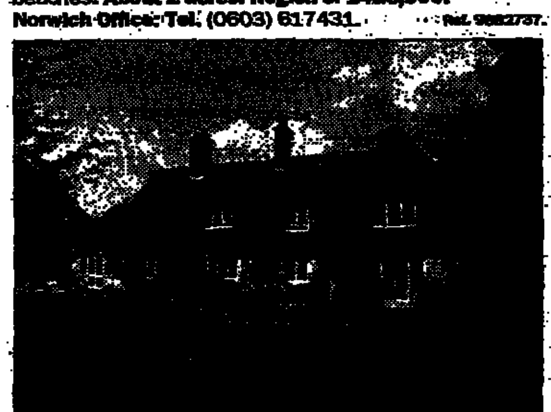

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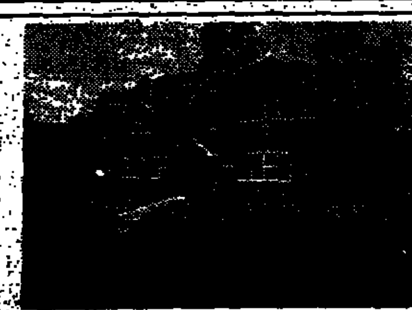

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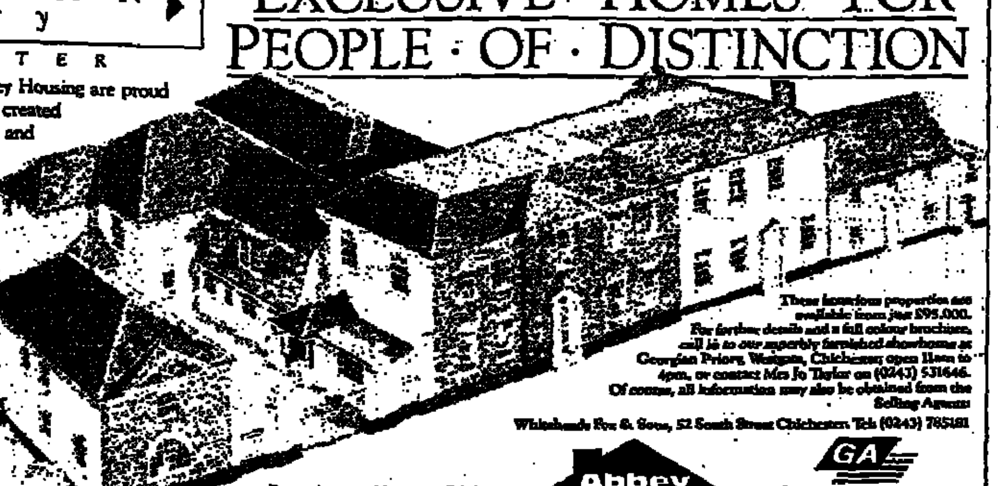

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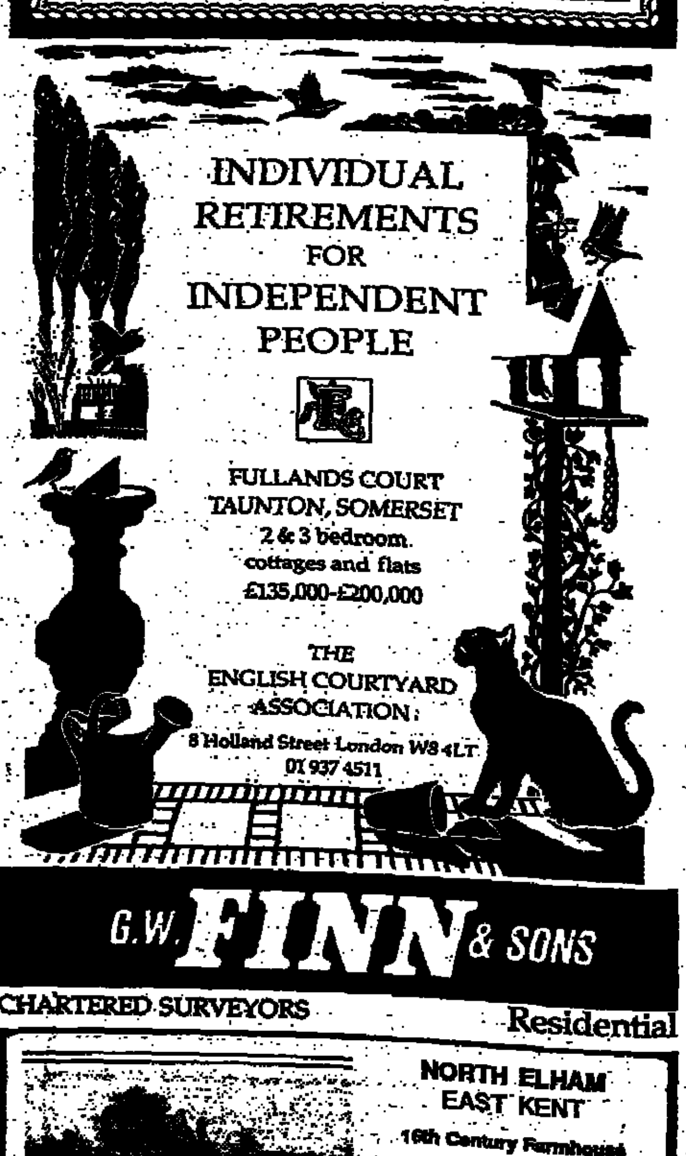

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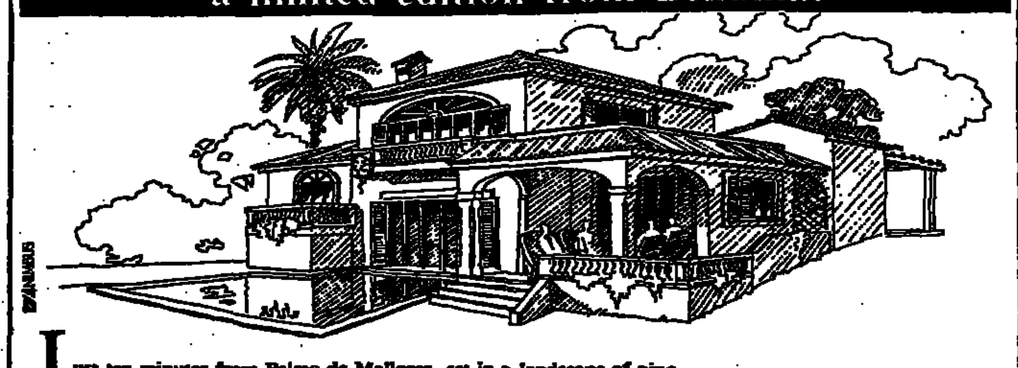

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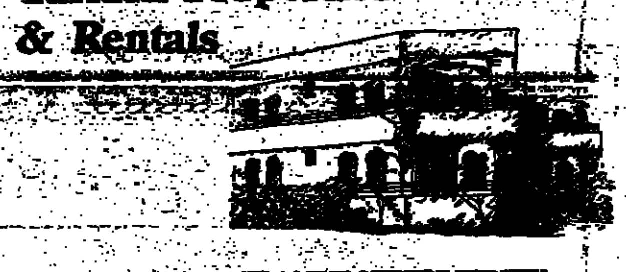

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A look at the books

Linda Christmas talks to publishers who have been involved in recent takeovers or who have gone their own way

THE BRITISH contingent to the Book Fair now taking place in Frankfurt is commanding more than its share of attention. The Fair, a hypermarket in which the world's book publishers ply their wares and enjoy a good gossip, has been feasting on the changed circumstances of three famous names: Livia Gollancz, Ian Chapman and Mark Collins.

Livia Gollancz, chairman of Victor Gollancz, announced that she is selling her company to the American firm of Houghton Mifflin. It had been known for sometime that the house her father started was to be sold on her retirement. Eighty suitors are said to have come forward to "look at the books"; eight proposals came during months of speculation and finally the Boston firm emerged as the surprise victor. The two companies are old friends and have much in common. Wags in the trade remarked that it was a good marriage: one sleepy house buying another sleepy house.

Houghton and Mifflin, 150 years old, began as a bookstore and is now the 14th largest publishing house in America with a turnover of some $250m and a profit last year of around $25m. Gollancz, 60 years old, has a turnover of around $5m and in recent years has failed to make a profit. The deal for an undisclosed sum (but said to be nearing $2m), allows Gollancz, at least for the moment, to keep its name, its staff and its cherished independence.

For Gollancz the deal brings access to development funds, badly needed if the firm is to become profitable again and for Houghton Mifflin the deal brings a long await foothold in Europe. David Replogle, director of general and international publishing at Houghton Mifflin admitted that, having bought Dent as a toehold in Australia, the company had been looking for a European acquisition for some time.

Gollancz meets Houghton Mifflin's expansionary needs because both houses have similar philosophies: they claim to be author-centred — believing that "the genius of the author is the core of publishing;" concerned with quality and convinced that non-intervention and cooperation are the keys to success. The coming together of the two, Replogle argues, will provide "business synergy," a vogue word in America which in translation means that, like any marriage, the partners cling to the view that they can achieve more together than they could separately.

David Replogle reckons that Gollancz has been losing money in recent years because it did not have the resources to compete in many areas, including the costly business of acquiring books, in marketing and in distribution. Buying Gollancz and funding these deficiencies, he says, is both cheaper and easier for Houghton Mifflin than starting a European venture from scratch.

"Starting anew might seem wonderful but its very difficult without a backlist. You need to be lucky rather than smart." He finds the British publishing scene is full of confusion and not "quite as nice as my memory of it in the 1970s. It's a lot more aggressive and competitive, and some different values have come into play." But rather to his surprise he has met no animosity over the fact that an American company has taken over a British house.

Although Houghton Mifflin decided it was cheaper to acquire a firm than to start anew, both Mark Collins and Ian Chapman took the opposite view. Economies of scale are needed to turn Gollancz into profit and both felt that a purchase price approaching twice turnover was not viable. In any event their publishing aims are different.

Both Collins and Brown and Chapmans Publishers have been created as a result of Rupert Murdoch's take over of Collins, and well illustrate the theory that the growth of conglomerate publishing is responsible for thrusting creative talent into entrepreneurial ventures. Collins, former Managing Director of Collins and Chapman, former chairman, both opposed the Murdoch take over.

The Chapman venture, which includes Majorie Chapman as Editor in Chief in equal partnership with Associated Newspapers and Taylor Clark, a leisure and property company, was greeted in the trade by a few unkind cuts suggesting that 68 year old Chapman could have retired handsomely with the money he made from Murdoch buying his Collins shares, but most responded with admiration for anyone with the courage to start again.

When Chapman walked away from Collins last January, he thought it was a grim way to end a 40 year association with the company he had joined as a management trainee. Now recovered from the bruising experience, he longs to get back to dealing with authors and books and even relishes the thought of "rushing into W.H. Smiths with a bag of books" and persuading them to carry the products of his new house. While on the way up the corporate ladder he was described as a brilliant salesman.

Both Chapman and his wife Majorie, echoing David Replogle, talk of wish to get back to the time honoured notion of nurturing writers and of the need to give editors fewer books to handle and more time for involvement with authors from the presentation of the synopsis through to the publication of the first review. "Not all authors want or need constant attention, but if they do I want to there. One of my proudest moments was when the writer, Brenda Jagger, dedicated a book to me saying: 'To Majorie Chapman who was with me every step of the way.'"

The Chapmans, who will jointly choose authors for both non fiction and fiction, are seeking books with "commercial elegance." They cited Scott Turow's *Presumed Innocent* as a fine example of a book deserving that description as well as *Gorky Park*, *Rights of Passage and anything by John le Carré*. "We want ace story telling, well developed characters and good writing."

Chapmans Publishing is also delighted to have been able to avoid the venture capital funding route, which Ian Chapman feels stresses short terms gains and leads to buy-outs. Having avoided that fashionable 1980s notion, however, he has


Livia Gollancz and Ian Chapman

embraced another hallmark of current thinking, vertical integration. The new company has a newspaper arm (Associated) and a TV and film production wing (Taylor Clark, makers of *Poldark*). The idea is one stop shopping: that one property, a book, can benefit from newspaper serialisation, and then become a film and a video. It sounds simple, but works rarely and Chapman admits that he is first a foremost a publisher of books and that anything else is a bonus.

The fact that individuals and companies appear keen to get involved in publishing with its low margins and high risks defies simple analysis. Ian Chapman says that people seem fascinated by publishing: "I think it seems more respectable in a snobby kind of way than either television or films. And maybe people recognise that books are the trunk of the tree of communication and everything dependents on that. All the talk we have heard about television and computers and other new technology making books obsolete has been proved wrong. Through all the doom and gloom books have, and will, survive."

Collins and Brown, the other new house, obviously agree that books will survive, but *what kind of books? Mark Collins* believes that the generation brought up on television has lost some capacity for concentration, spend less time reading and prefer to be led by the visual. His new company will, in the first instance, concentrate on illustrated books. Among his first commissions are three books in conjunction with Greenpeace on the North Sea, the Mediterranean and the Baltic as well as books reflecting our increased leisure and affluence.

"Increased influence first showed in the growth of books about cookery and then gardening, now it is spreading to the home with much interest emerging in the decorative arts."

Mark Collins' partner is Cameron Brown, merchant banker and founder of the financial services group Abaco Investments, who felt the time had come to move out the City where endless talk about money had begun to pall. There is no venture capital involved here either. Brown selected individual investors from among friends in the city, in insurance, shipping, computers including "the boy who sat in front of me at school." They had one thing in common: they think publishing is fun.

"It is very attractive to be among people who have a different approach to life, different aspirations and the joy for me is that one day I'm going to be able to carry home a product, a book, and say that I helped to make it."

Cameron sees parallels between the fragmented professional services companies to which he offered financial expertise through Abaco and small publishers. "There are lots of small companies toddling along, never able to sell to Murdoch, never able to go public, never able to employ decent staff because there's no career for them, maybe in the in long run we'll be able to help with financial management."

Against the barbarians

IN THE age of the 30 word paragraph the literary magazine is an anachronism, a proud and aristocratic bulwark against the barbarian hordes of slender thoughts and even slenderer syntaxes. Viewed in this way, it is hard to believe the *London Review of Books* is just 10 years old this month; harder still to credit that it owes at least part of its initial success to the vulgar confusion of industrial action.

It was born, in a litter of three, at a time when the *Times Literary Supplement* had been knocked out of action along with the rest of the Times publications in the industrial fisticuffs of the late 1970s. The fact that nobody remembered to tell subscribers to the *TLS* why their subscriptions were not being honoured undoubtedly encouraged them to look kindly on the lusty new offspring of the *New York Review of Books*, which first appeared as an insert in its parent publication.

Within a couple of months, the staid literary magazine market found itself with three new titles: besides the *LRB*, there were *Literary Review* and *Quarto*. But while *Quarto* soon allowed itself to be swallowed up by *Literary Review*, and *Literary Review*'s own see-sawing fortunes have become part of publishing legend, the *London Review of Books* alone survived in the manner to which it had always intended to become accustomed, due to a happy combination of personality, policy and purse.

LRB's most visible face is that of Karl Miller, a university professor and former editor of *The Listener*, who was approached by the New York Review to put together the magazine and who mustered a formidable team of critics. While the *TLS* came to terms with the bold departure of named reviewing, Miller took advantage of the fact that his paper was not an instrument of record to declare allegiances to structuralism and the SDP and set off on an unashamedly partisan jaunt through the culture and politics of literature.

His co-editor Mary-Kay Wilmers puts the paper's success down to its placing somewhere between the *Spectator* and the *TLS*. "If you're not the official voice you can be more daring and more enjoyable to read. I think people write well for us because they can *speak out* more." They can also do so at greater length than in other outlets. *LRB* pieces run to some 3,000 words.

If the *LRB* makes a resolute stand against the literary straight-jacketing of the *TLS*, it also prides itself on avoiding the cliquishness of the national newspaper review pages, where, says Wilmers, "the impression more often than not is of novelists reviewing books by novelists for novelists." Its contributors range from Alan Bennett to John Bayley, from Douglas Hurd to Tam Dalyell. It has braved the opprobrium of is own readers by publishing against the Falklands War and allowing its pages to become a forum for Arab views on Israel.

But it would be naive to think that the fortunes of any publication relies entirely on editorial integrity. *Literary Review*'s founder Ann Smith learned the importance of financial backing the hard way when her ideal of creating a literary magazine for the reader on the street were eclipsed by tough economic realities. Overstretched and exhausted she sold the title to Naim Attallah for a nominal £1, only to find herself out of a job when she asked for a pay rise.

The ensuing legal battle with Attallah was finally settled out of court this year. He continues to pour money into a publication which, under the editorship of Auberon Waugh, has a readership of around 14,000, while Smith licks her wounds in Scotland.

Behind the success of the *London Review of Books* lies a dynamic business department, which has just been recognised with a £53,000 incentive award from the Arts Council. Nicholas Spice, the paper's publisher, admits the importance of private American support to a publication which is only now bracing itself for its first push into profit. "We've been fortunate to have the money to push our ideas through, but in fact it's almost the sine qua non of magazines today that you can't launch without a lot of up-front investment.

With a circulation that fluctuates between 15,000 and 16,000 — 80 per cent of it in subscriptions — the *LRB* has pumped money into promotion. "The crucial factor is whether your subscription revenue grows faster than your promotion budget," says Spice, who accepts that readership is unlikely to rise above 20,000. "Your market is as big as your access to it and our access is very limited by the number of lists we can rent, which is in turn limited by the number of publications in the field."

The question of access is a notoriously tricky one: how, for instance, does the literary magazine gain access to the Britain beyond London and the University library, and to what extent is it realistic to look to international sales? America is a substantial outlet for both the *TLS* and the *London Review of Books*, while the *TLS* has just launched an attempt at European collaboration with its insert, *Liber*.

Literary Review has gone off on a rather different tack with its satirical reviewing and its mischievous knock-about between left and right. As assistant editor Laura Cumming puts it: "Bron is on the right and I'm very much on the left. I have the communists and he has members of the cabinet; I quite like poetry and he has a deep hatred of it. Naim Attallah is this benevolent, gleeful man who is wildly enthusiastic about everything we do." Not surprisingly, perhaps, a recent survey of *Literary Review*'s readers found that they bought hard-backs and drank a lot.

While the reader-profile of the *Literary Review* might seem light years from that of the sober *TLS*, all three publications share a belief in books and the culture of the people who read them. "Look at all these new magazines with their narrow columns," mourns Mary-Kay Wilmers. "The tendency nowadays is for more opinions and shorter sentences so people say in a few words what should be said in a paragraph. They forget it's not the opinion that's interesting, but the process of arriving at it."

Claire Armitstead

MOTORING

Citroen does it again

***Stuart Marshall** believes the new XM will prove another winner for the French*

THE NEW XM *must do* for Citroen's share of the executive car market what the BX did for it one class down. The BX is the car that persuaded Britons that Citroens were not, as they had convinced themselves, quirky, complicated, potentially unreliable and worth very little second-hand. *More than 140,000 of the medi*um-sized BX hatchbacks and estates have been sold in the UK.

The French, of course, *had* never entertained such thoughts about Citroen cars. For years, they had considered as quite normal *what the Brit*ish regarded as eccentric – things like self-levelling, hydro-pneumatic suspension, which gave a marvellous ride but allowed the car to settle with a sigh on its haunches at the end of a journey. The BX, an *engaging mix of simplicity* and sophistication, styled individually and sold at keenly attractive prices, broke the mould in Britain.

Why will XM do the same? For similar reasons, really. The body (styled by Bertone of Italy, the studio from which the BX also came) is roomy, aero-dynamically efficient and, above all, different. A comput*er-controlled* form of hydro-pneumatic suspension called Hydractive adjusts instantly to changes in driving technique and road surface. It *gives the* XM driver the best of both worlds.

For most of the time it smothers bumps, so that main road and motorway driving is unusually comfortable. But push the XM into a fast bend and it does not roll or wallow because the ride stiffens. Five sensors monitor the suspen*sion continuously*. They detect an alteration in the car's attitude so quickly that you feel the XM is actually anticipating *the change*.

The prices, announced at London's Motorfair preview on Wednesday, make the XM eco*nomically appealing*, too. The cheapest XM 2.0 is only £13,699; the dearest XM 3.0 V6 SEi sells for £22,999. All the two-litre *models come* well below the £19,250 company car tax threshold.

Model for model, the XM measures *up well against* rivals like the Granada, Rover 800, Vauxhall Carlton and even the BMW 5-Series, all of which Citroen *has in its sights*.

Every XM has an electric slide/tilt sun-roof, power steering (but not the French kind that self-centres more strongly *than* the type to which Britons are used), remote-controlled central lock*ing* and power windows. There are three trim levels, ranging from the more than adequate to the kind of leather-seated luxury that would make a Jaguar owner feel at home.

Having already tried the two-litre injection model in *France, I picked the bottom* and top models in UK specification to drive in the Midlands.

The 2.0 has a 115-horsepower engine with *a carburetter and*, like all XMs at the moment, a five-speed gearbox (although four-speed automatic transmission will be available in a matter of weeks). Given sensible use of the smooth gear-shift, the 2.0 offered brisk performance, quiet motorway cruising and a ride that spoils Citroen owners for any other make of car. Nothing fazed it.

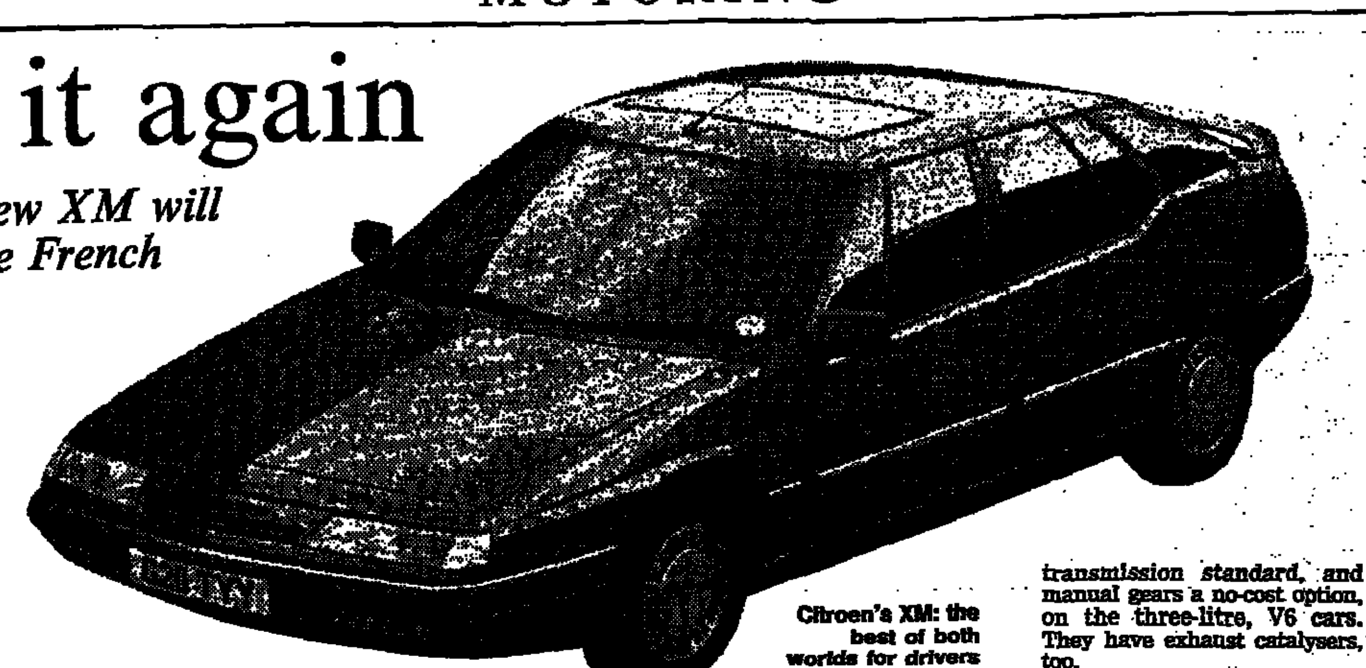
On the motorway there was little wind, road or mechanical noise at business motorists' cruising speeds. Not enough, at *any rate, to make* me turn up the volume of the stereo radio and tape player. Through the lanes, it showed small-car nim*bleness* and the *handling* and road-holding of a sports car. The offical figures suggest an average fuel consumption of around 33-35 mpg (8.56-8.07 l/100 kms).

With 170 horsepower under the bonnet, the XM 3.0 V6 SEi was much quicker off the mark, demanded less gear-shifting on hills and felt even more relaxed on the motorway. Although I was more aware of its wider, lower profile and higher speed-rated tyres on poor roads, it was still a rapid and most tranquil means of executive transport.

The SEi models, two- and three-litre engined, have air-conditioning, ABS brakes, alloy wheels and leather trim. Very wisely, Citroen UK has decided to make automatic transmission *standard*, and manual gears a no-cost option, on the three-litre, V6 cars. They have exhaust catalysers, too.

A diesel XM with a new, 12-valve, turbo-charged engine and a high standard of equipment will arrive in March. Citroen must wait until June for the 24-valve, 200-horse-power V6 available already in France in the Peugeot 605 (this column, last week) but is having first crack at the diesel.

And an XM estate car? "It is coming, but we must wait," said an enigmatic Pierre Boisjoly, Citroen UK managing director. How long? My guess is about 18 months. Meanwhile, the veteran CX estate remains in production, just like the Peugeot 505 estate. The difference is that Peugeot might never make a 605 estate car at all.



Citroen's XM: the best of both worlds for drivers

At Motorfair, even the rich must be patient

NEVER MIND high interest *rates and crippling mortgages*. Motorfair, open at Earl's Court in west London until Sunday, October 29, is pulling-in the punters again. And there is a lot to see, even if some of the new (or, at least, new to Britain) cars are beyond the reach of all but the seriously rich.

Even they will have to be patient. The Mercedes SL and Porsche Carrera 4 are in such demand that orders placed now will not be filled for at least two years. Ferrari's 348 is so over-subscribed that the concessionaires will not even take an order.

Don't *even think of driving* to Earl's Court. And be prepared for big crowds around the "pop" stands like those *of the* Rover Group (the new 200), Lotus (the long-awaited Elan) and Vauxhall (the Calibra coupe).

Motorfair is providing a first opportunity for many potential buyers to see the new Citröen XM and the three-model range of Mazda 323s. These three- and five-door hatchbacks and four-door saloon are priced keenly and power-steered.

Do not miss the two-seater Mazda MX-5 sports car, which has had rave reviews in the US where it is sold as the Miata. It will not be coming to the UK until next year but, to many enthusiasts, it is the *car Lotus should have* produced instead of the front-wheel drive Elan.

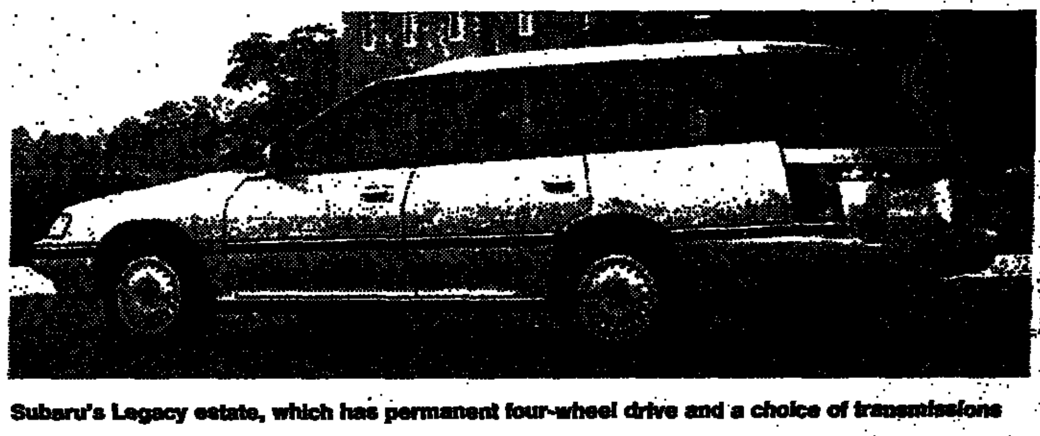
Well worth a look is the *Land Rover Discovery*. This will not be in dealerships for several weeks but promises to do wonders for Land Rover's share of the recreational 4x4 market, which virtually had been abandoned to the Japanese. The Range Rover, now with a 3.9-litre engine, has moved still further up-market: the top Vogue SE version costs more than £32,000, key in hand. Since it looks as if the Discovery will cost about half that, Land Rover could find itself struggling to meet demand.

Four-wheel drives are everywhere at Earl's Court. *The new Legacy saloons and* estates from Subaru have permanent four-wheel drive, a choice of manual or automatic transmissions, and flat-four "boxer" engines of 1.8 or 2.2 litres' capacity.

They have moved up a bit from the country vet level, with prices ranging from £11,000 to £16,300. But the latest Subaru Justy 1.2 ECVT proves that two-pedal cars with four-wheel drive do not have to be expensive. At under £7,500, the three-door Justy can be switched from front to all-wheel drive at the touch of a button.

Not to be missed is the UV-X concept car and the 300 ZX sports coupé on the Nissan stand. The UV-X is thought to be as close to the next Nissan Bluebird to be made at Washington, Tyne and Wear, as the Probe III concept car was to the original Ford Sierra. The 300 ZX, which I am due to drive in Japan (along with the new Nissan luxury car, the Infiniti) in a few days is spoken of as a car in the Porsche 928 class.

S. M.



Subaru's Legacy estate, which has permanent four-wheel drive and a choice of transmissions

Bridge

MANY CONTRACTS fail because declarer does not spot the need to get rid of an embarrassing high card. Even more succeed because the same blindness attacks the defenders. *Look at this* deal from rubber bridge:

N
♠ K 8 5 2
♥ Q 9 7 3
♦ A 3 2
♣ K Q

W
♠ J 10 9 7
♥ 8 2
♦ K 6
♣ 10 9 6 5 3

E
♠ Q 6 3
♥ 5 4
♦ Q J 8
♣ J 8 7 4 2

S
♠ A 4
♥ A K J 10 6
♦ 10 9 7 5 4
♣ A

South dealt at love-all and opened with a bid of one heart. North responded with four diamonds, the Swiss Convention, which announced a good raise to four hearts, and South jumped to six.

West began with the knave of spades but prospects were poor. There seemed to be two certain diamond losers but the declarer wondered if anything could be done. Yes, there was a chance if one defender happened to hold the diamond king doubleton. South could draw trumps, eliminate the black suits, and play ace and another diamond.

There was a snag, though. The defender with the diamond king, if a reasonable player, would spot the threatened end-play and unblock his king on the ace. A slight change of plan was needed.

Winning the spade in hand, the declarer immediately (and before his intentions could be realised) led a diamond to the ace on the table, West following with the six. He led a club to his ace, crossed to the spade king, cashed the king of clubs and ruffed a spade high. Then he crossed to the nine of hearts, ruffed another spade and drew trumps with his last. A diamond to the king left West firmly end-played. The forced return of a club allowed the declarer to throw dummy's last diamond and ruff in hand.

Another rubber produced this deal:

N
♠ A Q
♥ 10 6 5 2
♦ K 10
♣ Q J 10 5 3

W
♠ 10 8 4 2
♥ K 8 3
♦ 9 8 7 5
♣ K 7

E
♠ J 6 5 3
♥ A J 7 4
♦ J 6
♣ 9 8 4

S
♠ K 9 7
♥ Q 9
♦ A Q 4 3 2
♣ A 6 2

At game-all, South dealt and opened with one diamond. His partner replied with two clubs, South bid two no-trumps, North raised to three no-trumps and that ended the auction.

West led the two of spades, which was taken by dummy's queen, and the declarer returned the queen of clubs for finesse. West won and started to count the hand. It was clear that the contract would be made unless the defence could gather-in four heart tricks in a hurry.

East must be placed with four hearts, headed by ace and knave. This would put South with the queen doubleton. Obviously, West had to retain his king for a second heart lead through dummy, but there was more. Should South's doubleton be precisely queen and nine, West must lead the eight – a vital unblocking manoeuvre to establish a finesse position later for East.

West led the eight. Now, if East takes with the ace and returns a heart to the king, a third heart defeats the contract. West was the late Al Morehead – we give him full marks for that lovely switch – but his partner misread the situation and ducked. All was not lost, though. The hand was used in the world bridge olympic.

E. P. C. Cotter

Chess

WORLD CHAMPION Gary Kasparov's latest landmark in surpassing the previous all-time record for rating points set by Bobby Fischer is sure to renew a debate among chess fans. How would the greatest Soviet and American players perform against each other, assuming both were at their respective peaks? At present, there are arguments both ways, although Kasparov has the chance to resolve them in his favour by his future achievements.

World ratings are calculated according to a complex formula originated by Professor Arpad Elo, a US mathematician. Essentially, they are a statistical summary of a player's lifetime performances with a weighting for recent results. Fischer's record of 2,785 points was set in 1972 after his sweeping wins in candidates' matches (by 6-0, 6-0 and 6½-2½) against leading grandmasters of the time. The level of performance was so exceptional that Fischer actually lost rating points when winning the world title 12½-8½ from Boris Spassky in their celebrated series at Reykjavik 1972.

Kasparov's rating has crept *steadily higher above 2,700 for* several years, but his breakthrough came in the recent annual Interpolis Insurance *tournament at Tilburg, Nether*lands. He crushed an elite field with 12/14, a full 3½ points ahead of his nearest rival, Korchnoi, and his rating shot up to 2,795. In a curious echo of Fischer, he used the occasion for a radical switch in his opening repertoire.

Fischer surprised Spassky and the chess world in the sixth game at Reykjavik when he opened 1 c4, transposing to a Queen's Gambit with d4, after a lifetime's preference for 1 e4. Kasparov has always been a 1 d4 or 1 c4 player but, at Tilburg, he widened his repertoire suddenly by adding 1 e4, particularly against opponents known to prefer the complex Sicilian 1 . . . c5.

It is odd that Kasparov should have avoided *1 e4 for so* long in view of his affinity for theoretically sharp positions. Here is one of his wins: Black should have tried keeping the gambit pawn by 16 . . . g6 for, as played, his defences are over-run by Kasparov's rampant force.

White: G. Kasparov (USSR). Black: G. Sax (Hungary). Sicilian Defence (Tilburg Interpolis 1989).

1 e4 c5 2 Nf3 e6 3 d4 cxd4 4 Nxd4 Nf6 5 Nc3 d6 6 g4 h6 7 h4 Nc6 8 Rg1 h5 9 gxh5 Nxh5 10 Bg5 Nf6 11 Be2 Bd7 12 h5 a6 13 Qd2 b5 14 a3 Be7 15 Be3 Nxh5 16 O-O-O Nf6 17 Rxg7 Qb8 18 Nxc6 Bxc6 19 Qd4 e5 20 Qd3 Kf8 21 Rdg1 Qc8 22 f4 Qh3 23 R7g3 Qh2 24 Bf3 Rg8 25 Rxg8+ Nxg8 26 Ne2 Qh3 27 Ng3 exf4 28 Bxf4 Qh4 29 Qe2 Rc8 30 Nh5 Qh3 31 Bh6+ Resigns.

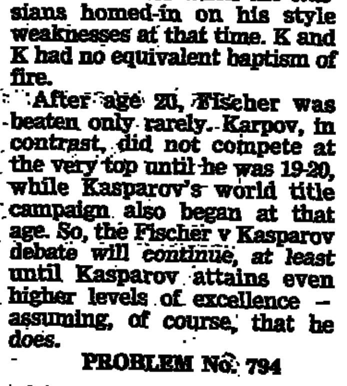
Due to *inflation* in the ratings, Kasparov has not yet surpassed Fischer clearly; a rating of 2,785 in 1972 is equivalent to around 2,825 in 1989 terms. But some would place Kasparov and Karpov ahead of Fischer, even before Kasparov's latest surge. *Warriors of the Mind*, by Raymond Keene and Nathan Divinsky (Batsford £17.95), is an interesting and provocative survey that attempts to place the top 64 grandmasters of all time in ranking order. It has Fischer as only No 3, based on results of the elite against each other up to 1987.

The most important difference is in percentage of losses: 18 per cent for Fischer, 10 or less for K and K. But Fischer often met the very best while still an immature and variable teenager, and nearly half his losses quoted in *Warriors of the Mind* are from the 1959 and 1962 candidates when the Russians homed-in on his style weaknesses at that time. K and K had no equivalent baptism of fire.

After age 20, Fischer was beaten only rarely. Karpov, in contrast, did not compete at the very top until he was 19-20, while Kasparov's world title campaign also began at that age. So, the Fischer v Kasparov debate will *continue, at least* until Kasparov attains even higher levels of excellence – assuming, of course, that he does.

PROBLEM No. 794

BLACK 12 MEN



WHITE 11 MEN

J. Levitt v. G. Flear, British championship 1989. White (to move) has a good attack for a pawn, but the position is complex. *If 1 g6* c5 with counterplay, so White went 1 b4 cxb3 en passant 2 Rc5 when Black can go either Nd7 or b2 with at least a draw. Only two days later did Levitt discover his best move in the diagram. How can White win?

Solution Page XXVII

Leonard Barden

How to avoid feeling car sick.

(Read this before you buy a £20,000 luxury saloon.)

If you are about to buy a £20,000 car, you should first read an article which appeared in July's Performance Car Magazine.

It set out to discover what real people thought of the cars on offer and it found that when offered say £20,000 to buy a company car, most people have already made their minds up on what they want, and "BMW are perceived to be the user/chooser executive choice."

BMW themselves admit that over half of the people who buy their cars do not take a test drive beforehand. The magazine's own research suggests the figure to be nearer 75%.

So 48 people who might be in the market for a £20,000 saloon, were asked to place eight cars in order of preference and this was the result:

1.	BMW 525i SE
2.	Saab 9000 CD turbo
3.	Audi 90 Quattro
4.	Honda Legend
5.	Alfa Romeo 164 Lusso
6.	Ford Sierra Cosworth
7.	Jaguar XJ6 2.9
8.	Rover Vitesse

Nearly everyone put the BMW at the top of the list, in the same way that all but one put the Rover at the bottom.

Then came the acid test. A cross section of these people were then given all eight cars to test drive over a mixture of roads in one day.

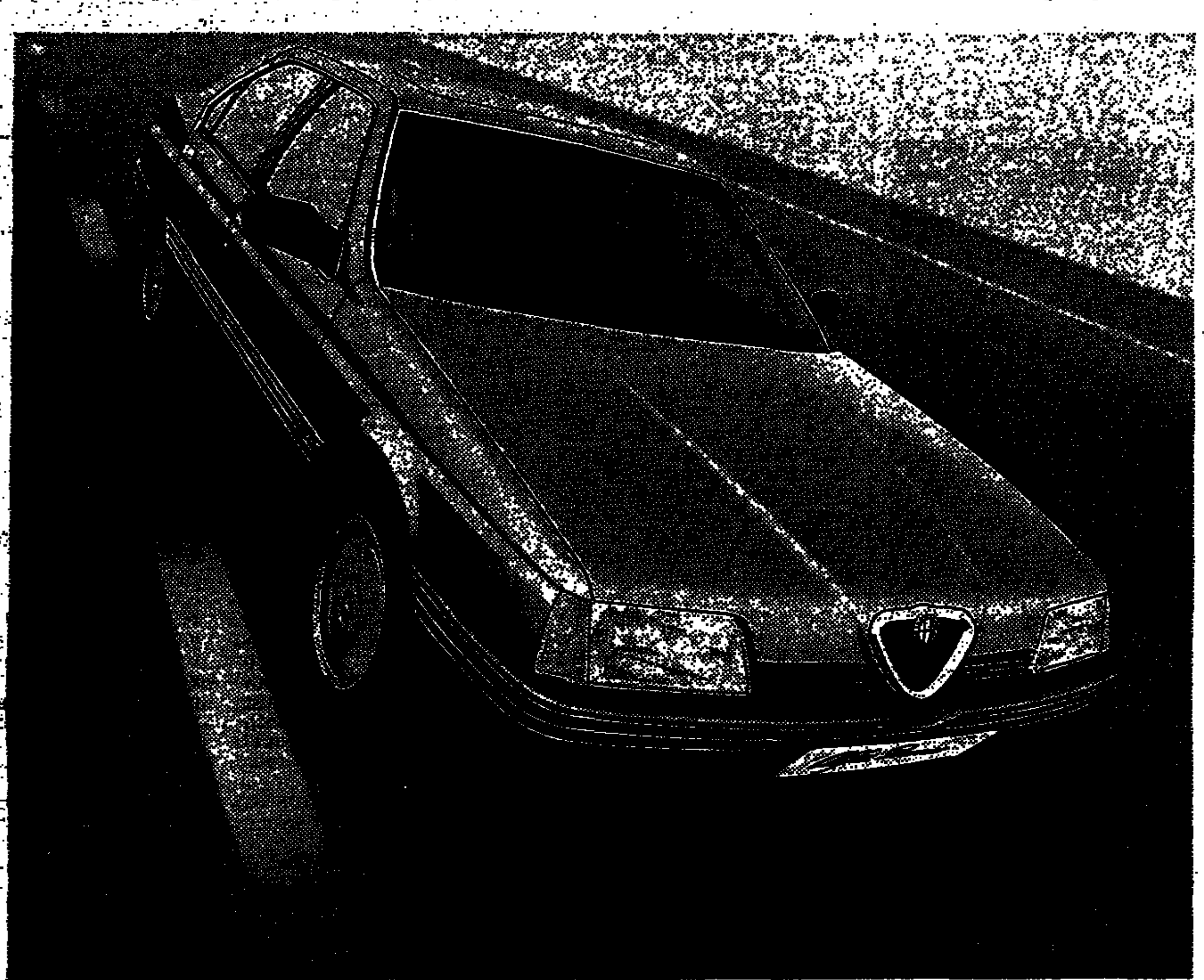
Aged between 32 and 38, they were exactly the sort of people that manufacturers of this type of car desperately want to woo: an architect, a stockbroker, a property developer, a company director. In short, they were not the sort of people who minced words, and after the test, they were asked to re-assess their earlier list.

The results were very different. As the magazine said, "this wasn't just a victory for the Alfa, it was a walkover – with six of the eight drivers putting it first and the two that didn't putting it second."

Comments were all equally effusive. "At last, a real car. I want one now..."

1.	Alfa Romeo 164 Lusso
= 2.	Saab 9000 CD turbo
= 2.	Ford Sierra Cosworth
4.	BMW 525i SE
5.	Audi 90 Quattro
6.	Rover Vitesse
7.	Jaguar XJ6 2.9
8.	Honda Legend

No one talked about the Alfa's image. "They liked it as a car, not as a dinner party conversation piece." One person picked up on the engine's "intoxicating noise," while another simply called it "gorgeous."



(The 164's 3.0 litre V6 engine reaches 0-60 in 7.5 seconds and has a top speed of 143mph.)

Even the magazine thought the Alfa Romeo had the best engine and "subjectively, it just pips the BMW in the beauty stakes."

As far as the testers were concerned, the BMW was pipped into fourth place.

"Time and time again, the chaps climbed out of it saying it had done nothing to tickle their erogenous zones. Where they were expecting pizzazz, they were given humdrum. Where they were expecting excitement, they were given competence."

Feelings were summed up by the person who said, "Quite obviously a superb car in every way, except for two things. It needs more power and it is utterly boring."

All of the other cars received equally severe criticism. One person, climbing out of the Jaguar simply said "Well that's just a waste of a walnut tree."

The Rover, people thought, would "go down a bomb in Eastbourne," while the Ford Sierra Cosworth divided the testers between those who were enthusiastic about the engine and those who were put off by the badge.

"It's still a plastic Ford Sierra," said one.

"When driven in the wet, it serves as a constant and noisy reminder of one's own mortality," summed up another.

No one was wildly enthusiastic about the Audi 90 Quattro's engine, with one person saying it needs more guts.

Sadly, the Honda Legend suffered most. One tester said "it was like being in an old people's home," and "it should have stayed in Japan," while someone else said he'd "rather have a moped."

The magazine concluded that people's image of a car was often very different from the reality.

"People had conspicuously high hopes of the Audi (thanks to rallying), of the Honda (thanks to Formula One), and of the BMW (thanks to all sorts of things); but, at the end of the day, each of those products failed to live up to the picture the imagination had painted."

The Alfa Romeo 164 was judged and won largely on technical merit. (Hardly surprising, when you consider it offers ABS, air conditioning, a compact disc player and a 3-year unlimited mileage warranty for under £22,000.)

"This would be very good news..." observed Performance Car "... If only (Alfa Romeo) could get people to take test drives before making a decision." The moral of the story is obvious.

A little research into what your money can buy should prevent any car sickness in the future. Especially if you include in your test drive the new Alfa Romeo 164 automatic; a car which has also prompted rave reviews from motoring journalists.

For instance, the Mail on Sunday claimed that "the four-speed automatic is...one of the sweetest I have tested." While the Sunday Express found it to be "a joy to use under all conditions."

The most poetic reaction however, came from the Financial Times: "From a standstill to whatever speed one's conscience allowed, the automatic 164's power flowed as smoothly as double cream pouring on to strawberries."

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BOOKS

Peter Pan, the hero of Mafeking

***J.D.F. Jones** on a biography of a national hero who founded the Scout Movement*

APPARENTLY Cecil B. de Mille once *planned a film of the* life of Baden-Powell in which the title role would be played by David Niven. The casting suggests that Hollywood accepted the image that Tim Jeal resurrects in his new biography: that B-P and his scouts were quintessentially British, sharing "social idealism coupled with a fear of social change, romanticisation of the past, suspicion of business, love of adventure, fear of sex, admiration for amateurism, mistrust of intellect, the association of happiness with virtue . . ."

Since the Second World War Baden-Powell has often been seen as a figure of fun, and sometimes as something more sinister. Jeal insists that we take him more respectfully and more seriously. He is not averse to the present-day inclination to a psychological perspective. B-P grew up in thrall to a formidable, widowed mother, with the complication that he had three talented high-achiever brothers. The mother directed their lives and

BADEN-POWELL
by Tim Jeal
Hutchinson £18.95, 670 pages

their careers ruthlessly, not to say selfishly, and her dominance lasted until her death as she held them at home, looked to them to finance her social pretensions and opposed any idea of marriage.

All his life B-P adored Peter Pan. He was no academic star so nepotism and unembarrassed social climbing had to take him through a conventional career in the Army (India, Zululand, Malta, the Ashanti campaign, etc), made more interesting to us by his later need to fantasise about his experiences. (His autobiographical tales in *My Adventures as a Spy*, which played a part in the image of the founder of scouting, now appear to be fiction: i.e. lies.) He kept clear of marriageable women, had an intense friendship with a fellow officer which lasted for many years, and was untypical in his concern for the welfare of his other ranks. And he was always fascinated by the grislier details of executions.

Of course, Mafeking made him. It was a side-show to the Boer War, yes, but there is no need to deny the flair with which B-P organised the defence of this obscure dorp on the outer edge of the Transvaal. He diverted the attention of a large part of the Boer armies for several months at a time when their freedom to move to Natal might have meant Britain's defeat.

The hero of Mafeking became a national hero, but he never then achieved the brilliant career he desired: he set up the South African Constabulary, which was in effect an occupying police force, and then came home as Inspector-General of Cavalry and, later, territorial commander in the north before retiring in 1910 to devote his time to the Scout Movement which had been launched several years before with extraordinary success by one of the world's bestsellers, *Scouting for the Boys*.

This biography is really two books in one, with the tale dividing Before and After he invented scouting. The former makes rather better reading unless you are interested in the detail of the development of the movement. It is a very long book but, curiously, there is not very much about the institution itself – what scouting was (and is) like. I never did it myself and would have liked to know more about *why* it has appealed to such immense numbers of young people – *more than 500m people* are said to have been scouts or guides during this century and there are still 16m of them spread across the world. But what do they *do*, once they have dug a hole for their hip and promised to do their best? And *why* was this upper-class English soldier's dream so compelling?

Jeal does not shirk the questions though his answers will not be conclusive. He explains why B-P's timing was so good. He notes that scouting was at the same time anti-authoritarian, anti-snobbish and yet entirely acceptable to the ruling class. He argues strongly, and I think successfully, that the military motivations behind scouting have been exaggerated by recent critics. He admits the urban-romantic flavour of a largely middle-class phenomenon. He is aware that a 20th-century institution which, clearly, is a sort of tribal-initiation equivalent – or at least contains important elements of this in among the fun and games and outdoor camaraderie – needs to have questions asked about its *preference for lingering in the* lower slopes of childhood. (But real initiation ceremonies lead to adulthood: with the scouts something seems to get arrested at this point, though B-P was unable to understand). His "Boy-Men," the scoutmasters, were the extreme example of this and have always been a problem.

Most of the character of the movement came out of B-P's own personality. Jeal is *matter-of-fact about his hero's* sexual nature: inasmuch as it is any of our business, B-P was a repressed homosexual who

Baden-Powell: fun and games and outside camaraderie.

believed that "girlitis" was like the measles, that sexual attraction (to women) was dirty, that a wife was a chum who had the sole advantage that she supplied you with your children. He married an athletic young woman when he was 55, sired three offspring and then moved his camp bed out onto the balcony and didn't come back. (This book would not have been enjoyed by Lady Olave, who does not emerge as one of Jeal's heroines.)

These matters are relevant. Scouting offered a safe haven for boys from adult life, and that also turned out to mean a refuge from women. This tied in with all manner of late-Victorian and high-Imperial insecurities: Jeal argues, "when a gifted man's deep anxieties about his sexual nature and his personal manliness coincide with a nation's fear of impending decline through lack of virile qualities, the basic ingredients exist for a remarkably potent creative brew."

More helpfully, Jeal demonstrates that B-P's success lay in inventing a Movement which brilliantly reconciled the desire to conform with the need to escape – and here the personality (and the biography) are inseparable from the institution.

The weakness of the book, apart from its being far too long in the new fashion of today, is that Jeal is over-concerned to answer every criticism that has ever been made of his subject, with the result that he becomes over-respectful. Sometimes – as in his detailed refutation of the accepted truth, *à la* Pakenham, that B-P behaved cruelly to the Blacks caught up in Mafeking – the correction is necessary and interesting. Sometimes – as when the elderly B-P describes *Mein Kampf* as a "wonderful book, with good ideas on education, health propaganda, organisation, etc . . ." the biographer might allow himself to admit that his hero was sometimes merely childish. Such an admission would damage neither the value of this biography nor the reputation of its subject.

Exodus from Egypt

BETWEEN THE two world wars the Jewish community in Egypt numbered between 70,000 and 80,000. To-day it is two or three hundred. Gudrun Krämer's book is an important contribution to the study of this process of dispersal.

Seen *against the background* of the Arab-Jewish conflict in neighbouring Palestine, the decline was remarkably gradual. There was an exodus of about a quarter of the Jewish population after the first Israeli war in 1948, but the majority stayed, influenced by "the security and material comfort enjoyed by the broad middle and upper classes of Egyptian Jewry, and the absence of anti-Jewish or anti-Semitic feelings in the general Egyptian public."

The Jews were concentrated in Cairo and Alexandria, where *in the* public mind they were largely grouped with other minorities of similar size – the Greeks and Italians. At the same time the organisations most hostile to the Jews, notably the Muslim Brotherhood, were also regarded as a threat by governments both before and after the *fall* of the monarchy in 1952. Articles appeared in the Arabic press calling for calm and tolerance, and in 1938 anti-Jewish propaganda was banned in the University of al-Azhar.

The leaders of the Jewish community, for their part, did their best to prevent overt manifestations of support for Zionism. And after the suppression of anti-British demonstrations in February 1946 the synagogues held services of commemoration for "the Egyptian martyrs." But such precautions could hardly be expected *to withstand* the shock of the Israeli invasion in 1956, and it was this that precipitated the virtual end of Jewish

THE JEWS IN MODERN EGYPT, 1914-1952
by Gudrun Krämer
I.B. Tauris £24.95, 319 pages

EGYPT'S BELLE EPOQUE: CAIRO 1869-1952
by Trevor Mostyn
Quartet Books £15.95 202 pages

life in Egypt. Some 40,000 to 50,000 Jews left the country after the Suez war, "either of their own accord or by force."

There is no elaboration of that phrase in Gudrun Krämer's book. It is most extraordinary that a work which is concerned with the Jewish community and not with Egyptian constitutional history should be cut short at the revolution of 1952, four years before the final catastrophe. There is consequently no description of the circumstances in which the dispersion took place, and the opportunity is lost to provide, within the covers of a single volume, the definitive account of this episode in Jewish and Egyptian history.

The foreign communities have played a part in maintaining Egypt's special relationship with Europe, which had among its origins the work of the *French* scholars who arrived with Bonaparte in 1798, and reached its most conspicuous fulfilment during the reign of the Khedive Ismail (1858-79). It was in this period that a new city, the centre of Cairo to-day, was modelled on Haussmann's Paris. Its most charming building, the *Opera House* (tragically burnt down in 1972), was in fact built by Italian architects and initially for Italian music. But the cultural scene was essentially French.

Trevor Mostyn, in his study of the *belle époque*, displays a somewhat casual attitude to *the boundary between fact* and fiction. Of the Khedive Abbas, for instance, he writes: "He was rumoured by enemies to enjoy having women stitched into sacks filled with rats, and flung into the Nile" – a seemingly self-contradictory procedure. In the same way he is content to write *that* the celebrations of the completion of the Suez Canal, inaugurated by the Empress Eugénie, "are thought to have cost" the equivalent of ten per cent of the total expenditure on the Canal's construction.

Harold Beeley

The gen on Germany

*If it moves, it's been interviewed. **Julian Bullard** reviews a timely book on a divided nation*

WHEN CHIDED by Germans about "un-European" attitudes in the British media, or about the small space given to German events, I used to point to the Frankfurt edition of the *Financial Times*. This generally produced a silence, or at least a breathing-space in the argument. So it was no surprise, after the Anglo-German Foundation set up an annual prize for Journalism, to see FT correspondents walk off with it in the first two years.

The first winner was Peter Bruce, the second David Marsh. Marsh has now crystallised his experiences of the Federal Republic of Germany into a subtle, eloquent, revealing and very comprehensive book, *The Germans – Rich, Bothered and Divided*. If it moves, Marsh has interviewed it. If not, he has been to see it, and what is more, he has looked up its history, often with illuminating results. He writes from a well-stocked mind, or perhaps a well-stocked floppy disc.

Packaged together with the current facts and figures comes a parallel stream of helpful reminders: that Germany's iron and steel production, and its railway system, were each about 60 per cent larger than Britain's *by 1910*; that *Mein Kampf* already contained a sentence regretting that more Jews were not killed by gas in the First World War; that the population density in the Federal Republic is now 60 per cent higher than in the GDR, having been only 18 per cent greater in 1950; and so on.

This treatment, a mixture of encyclopaedia and snapshot, is applied with great success in a series of set-piece chapters on aspects of the West German scene: politics, the media, the Greens, the Jews, the Allies, the arms industry, etc. The conclusions are always judicious, if not always startling.

A recurrent theme, well illustrated, is the difficulty of shaking off the German past. Two examples: "The renewed rise of the far Right parties makes almost everyone feel vaguely guilty – even the people who vote for them;" and "Arms-making in West Germany is an area where conscience starts to bite more quickly than in other countries. Even the most proficient weapons manufacturers say they would really be much happier beating swords into ploughshares."

THE GERMANS – RICH, BOTHERED AND DIVIDED
by David Marsh
Century £16.95, 364 pages

In a searching chapter on *the economy, Marsh sides with* those who see postwar German performance as past its zenith: "The curtain has come down conclusively on the miracle... Unless the country starts to worry more about structural problems in its rich economy, the success story may be snuffed out."

This could turn out to be one of those judgements which look sound enough but take a little time to come true, like Marsh's reference to Boris Becker's "fading performance." A country with the German training system, chambers of commerce and small and medium-sized businesses – not to mention German inflation levels, interest rates and balance of payments surplus – can perhaps afford to be in no hurry to cut subsidies and introduce Sunday shopping.

Not the least enjoyable of Marsh's vignettes of German life are the glimpses of the man who, as Federal Chancellor since 1983, now carries heavier responsibilities than any of his predecessors since Dr Adenauer. Marsh has observed Herr Kohl closely and interviewed him more than once. He quotes a characteristic malapropism: "I do not write futuristic novels like Orson Welles," to which I add a specimen from my own collection: "Ivory League professors."

Marsh's chapters on relations between the two German states cannot have been easy to write, with the German Democratic Republic in an accelerating and perhaps terminal decline. When he asked a dozen leading West Germans what they thought of the prospects for reunification, the replies were mixed, but this will have been before the latest mass exodus from the GDR.

Marsh himself believes that "the forces drawing the Germans together across the Berlin Wall are growing stronger," and in his final chapter he calls upon Western governments to give urgent thought to the future of Central Europe and Germany's place in it before events begins to close off the options. These pages make a worthy ending to a very valuable book.

Sir Julian Bullard was formerly British Ambassador in Bonn.

Mountbatten day to day

THAT IMMORTAL saying: *"Old soldiers never die, they just fade away,"* was not applicable to Mountbatten. After he retired as Chief of Defence staff in July 1965, he refused to fade away. The vast majority of people after retirement do not know what to do with themselves. Not Mountbatten. He *remained active, mobile* and full of vigour until the last day of his life. He was good company and always in great demand. He gave much to life and got much out of life. These diaries are ample evidence of how very active he was. He must have been among the most-widely travelled of men.

On the whole, these diaries are great fun. The nicest things happened to their author. His self-confidence in his good looks, his luck, *his* lineage, got him out of the tightest corners. That he had no literary or intellectual pretensions (that would have been too much even for him) is quite clear. Only once does he mention that he is actually reading a book which is not about him*self or his family*.

One problem confronts the reader: we know what Lord Mountbatten said to many prominent people, but seldom

FROM SHORE TO SHORE THE FINAL YEARS: THE DIARIES OF EARL MOUNTBATTEN OF BURMA, 1953 – 1979
edited by Philip Ziegler
Collins £18.00, 402 pages

are we told what they said to him. He enjoyed meeting people and he met just about everybody who was anybody from New Zealand to Norway, New Delhi to New York – kings, presidents, prime ministers, soldiers, sailors, actors, do-gooders.

There was one exception, China. No one of any consequence met him during his 1974 short visit to that country. Mao and Chou En Lai were both alive. Not even the 50th person in the hierarchy saw him. That must have been a novel experience for *Lord* Mountbatten.

There is also sadness in some entries. His wife died in 1960. His greatest Indian *friend*, Jawaharlal Nehru in 1964. Later his sister, the queen of Sweden and then the Duke of Windsor. Their passing made him very sad, but his temperament was such that only *short-term* melancholy was permitted to cloud his life.

India figures at considerable length. He made many visits there between 1958 and 1979, the last but one in February 1975 with Prince Charles. Lord Mountbatten stole the show and thereby hangs a tale which *I shall tell some day*. He had a soft spot for the former Indian princes and made himself unpopular with the government of India when he espoused their lost cause in the early 1970s. He misjudged the temper of the times.

There is one amazingly off-the-mark comment on a prominent Indian. He calls Y.B. Chavan a "goonda" – mafia hooligan – on whose head Mountbatten says he put a price. Chavan was chief minister of Maharashtra, defence, home and external affairs minister of India during a distinguished political career. This must be a case of mistaken indentity.

Ziegler tells us that he had to reduce the diaries to a tenth *of the original*. He should have been even more ruthless and cut more of the trivia.

K. Natwar-Singh

Dear diary, I'm desolate

DEAR DIARY, I am so unhappy; Dear Diary, I am so bored. Since people tend to resort to their diaries in one or other, or both, of these moods, what we read in a diary can all too often be a fallacious guide to a life.

One would like to believe that Keith Vaughan's *Journals*, originally published in briefer form in 1966 and now reissued, are fallacious in this way. Otherwise, it is appalling to think that this fine painter's later years should have been so desolate and arid. As Alan Ross records in his excellent introduction, there were always friends eager to see Vaughan; London offered every kind of diversion to a man of his *means*.

Yet evening after evening, his work done, he would settle down to a solitary meal, solitary boozing and the solitary pleasures provided by what he calls "autoerotic devices." He was aware of the sameness of mood in the journals of his *later years, writing "I see that* each entry repeats almost exactly the same refrain: frustration, creative lethargy, emptiness, inaction."

What was the cause of this accidie? As a painter, Vaughan had no doubts of his worth – recording, for example, that he *considered John Piper to* be a less good painter than he was; and, although there might be occasional carping, that worth was generally acknowledged by critics and public alike. He was an Honorary Fellow of the Royal College of Art, he taught part-time at the Slade and was awarded the CBE.

Reading his grumpy and grudging remarks about people who had entertained him or treated him with kindness, his cruel ones about his no doubt possessive but nonetheless devoted mother, and his contemptuous ones about his own character and behaviour, one

JOURNALS 1939-1977
by Keith Vaughan
John Murray £17.95, 217 pages

is tempted to think that the trouble with Vaughan was that *he had no capacity to love* either others or himself. But then one comes on a series of entries, making up what is, in effect, the most touching of short-stories, about a love-affair in Mexico with an impoverished, semi-literate boy whom he *picked* up, took with him to expensive hotels, restaurants and beaches, and then, inevitably, had to abandon when his holiday ended. "When you go I shall have *nothing*," *the boy tells* Vaughan, simply. Vaughan, one feels, for all his success, his money and his friends, will have even less.

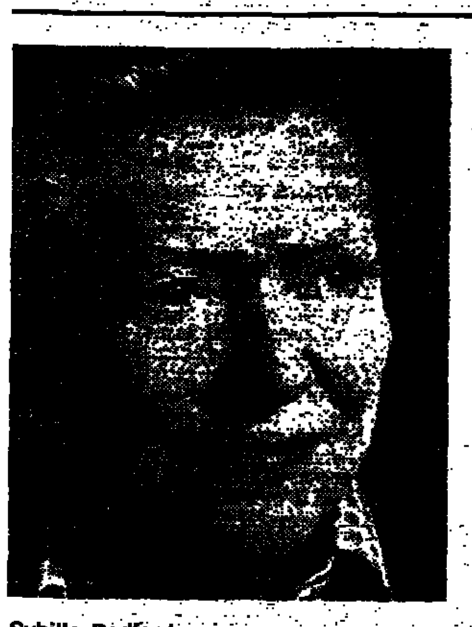
Carefully and cunningly written, even when they seem *to be most spontaneous*, these diaries are extraordinarily successful in revealing precisely what it is like to deploy the eye and skills of a painter. When they deal with people, their tone tends to be at best cool and at worst vinegary. There are some memorable aphorisms, such as: "People who adapt themselves completely to the demands of their existence are no longer aware of being untrue to themselves."

Suffering from cancer, Vaughan killed himself in November 1977. This suicide is the last event recorded, his writing trailing off into illegi*bility* and then stopping as the capsules took effect.

Francis King

OCTOBER NON FICTION

BOOKS


Sybille Bedford


James Kelman


Kazuo Ishiguro


John Banville


Rose Tremain


Margaret Atwood

What an avid lot of novel readers you are

*Literary Editor **Anthony Curtis** reports on the FT Booker prize competition including the winning entry and extracts from the runners up*

SIR Michael Caine: ". . . Without further delay, then ladies and gentlemen, I call upon the chairman of the judges, David Lodge, to announce the winner of this year's Booker Prize." (Applause.)

David Lodge: "And the winner is Margaret Atwood for Cat's Eye. . . ." (Renewed applause and cheering.)

If the result of the FT Books page Booker Prize Competition is anything to go by, then something like that will be the scenario on Thursday evening at the Guildhall, London. Contestants were asked to nominate their first three novels from the short list in order of preference and then to put up to 250 words into the chairman's mouth explaining the reason for choosing the winner.

Many thanks to all those readers who went in for the competition with such enthusiasm. What an avid lot of novel readers you are! It was a pretty close-run thing, reflecting both the catholicity of your taste in fiction, and the extremely high quality of all six novels on the short list. The voting was as follows: Margaret Atwood's *Cat's Eye*, 31 per cent; Kazuo Ishiguro's *The Remains of the Day*, 29 per cent; John Banville's *The Book of Evidence*, 12 per cent; James Kelman's *A Disaffection*, 10 per cent; Sybille Bedford's *Jigsaw*, and Rose Tremain's *Restoration*, 9 per cent each.

Our winner, J.J. Whiticar of Winchester, who will receive a cheque for £250 and an invitation for two to the dinner on Thursday, has David Lodge continuing thus:

"*Cat's Eye* is the best kind of literature, the kind which takes a timeless subject and has the courage to shock its readers. At its centre is the guilt and anguish of an artist re-living childhood experiences in her life and art. Elaine Risley is first a victim bullied into psychological submission and then the cruel catalyst of others' misfortunes. She learns to limit the damage to herself, how to use others' weaknesses. Her paintings become her revenge. Whatever has threatened her in her past is reduced to controlled, flat representations.

The hunt for the evidence in her past grips us with the narrative power of a detective story. The confessional style claims our sympathy. Above all, Risley's confused sense of shame is a profoundly human reaction in a world of uncertain morality and relationships.

Yet, the novel is also great fun. It is a brilliant evocation of post-war Toronto, the era of Toronto the Good and its subsequent artistic flowering and cultural mosaic. The novel addresses the very Canadian concerns of rootlessness, self identity, the meaning of pride and shame in a growing community. Both surreal and realistic, it recalls Boris Pasternak's reflection on the creative impulse to realism – "It is an early impressionability in childhood and timely conscientiousness in manhood."

Margaret Atwood has refined this imaginative realism into something hard, brilliant and uncompromising, something like the glassy fixity of a *Cat's Eye*."

Each of the other five novels found champions almost as eloquent as this. Christopher Scott pleaded well for Ishiguro: ". . . .this author from Japan has utilised his powers of observation and intelligence to analyse, in fictional form, two of the great themes that have dominated British life in the 20th century – Anglo-German relations and domestic class conflicts. He has done this through the eyes of a butler in the service of an important political peer, who runs one of those great country houses where the decisions that govern our lives – or deaths – are so often taken."

John Banville's brilliant tour de force, *The Book of Evidence* (which reminded me not a little of Camus's *The Outsider*) was neatly described by D.K. Richardson: "Freddie Montgomery has killed a girl. This novel is his recalling, written in prison as he awaits trial, of the events that led up to the crime. Montgomery was a mathematician with an educated precise manner of speaking. Banville plays on the fact that Freddie just drifted into his evil act by the use of the choicest of phrases. Freddie Montgomery is cleverly brought to life as, on the one hand, a psychopath but on the other, a rational, if amoral, intellectual."

James Kelman, author of *A Disaffection*, a sternly uncompromising novel about a day in the life of a Glaswegian schoolmaster, has been called by his admirers, a Scottish Beckett, but Jeremy Beadle saw the book in another perspective altogether:

"What Kelman has achieved," he imagined David Lodge saying, "is to work outwards from the ordinary and everyday – in the manner of the great 19th century British and French novelists – to reveal the extraordinary in the human condition. Not for him the imposition of "magical" or symbolic events. Patrick Doyle, his hero, tries to wrest magic from the mundane – a pair of ordinary pipes, a pointless romantic lust – and his failure provides an illumination which speaks directly to more people than any other novel this year."

If the boisterously extravagant era of Charles II was a magical time for those fortunate enough to be born into the purple, then there was an abundance of this magic in Rose Tremain's *Restoration*; but she also reminds us of the seamy side of that period in distressing episodes set among the inmates of an asylum for the insane run by Quakers, and in her portrayal of the virulent spread throughout London of first the Plague and then the Fire.

What particularly appealed to Elizabeth Renwick, however, was the final scene of the novel: ". . . .where Merivel in his nightshirt with crumbs on his face laughing like a child as the King, or God, comes in and we see that it is a spiritual Restoration too, we have the fusing of the whole sliding picture or parable. It has worked because of the way Tremain has built up both the characters and the story without our realising. We have all the time been delighting in Merivel's innocence, gentleness and glorious imagination and in his doings."

With Sybille Bedford we are back to the Self, to indeed the novelist's own self as she recalls her remarkable childhood straddled between Berlin, London and Sanary. Penelope Bennett waxed lyrical about the book: "It is witty – hilarious at times; not often does one laugh aloud when reading. The writer is sure-footed; one trusts and wants to follow. Often it is almost unbearably moving . . . . yet Sybille Bedford and Self Pity seem unacquainted with each other. It is a generous book – a book which celebrates life."

I do agree and I think it is for this reason that, for all its dubious classification as a novel, *Jigsaw* is likely to end up as the winner of the 1989 Booker Prize when the real judges have concluded their deliberations on Thursday.

Congratulations, then, to Jonathan Whiticar, the FT competition winner. The others quoted are the runners-up and will each receive a copy of *Prize Writing* edited and introduced by Martin Goff (Hodder & Stoughton £12.95). It contains some hitherto unpublished work by all previous winners of the Booker Prize over the past 20 years with the exception of John Berger.

Booker Prize

The FT Readers' choice

Cat's Eye	31 per cent
The Remains of the Day	29 per cent
The Book of Evidence	12 per cent
A Disaffection	10 per cent
Jigsaw	9 per cent
Restoration	9 per cent

Lost in a labyrinth

Erik de Mauny is left with the spectacle of great erudition swallowing its own tale

SOME READERS of this novel may not be all that familiar with the name of Foucault, and Umberto Eco does little, except obliquely, to enlighten them. Jean Bernard Léon Foucault (1819-1868) was an eminent scientist and natural philosopher who, in 1851, demonstrated the rotation of the earth by the oscillation of a huge pendulum suspended from the dome of the Pantheon in Paris. The pendulum attracted large crowds at the time, and is now housed in the Conservatoire des Arts et Métiers. Eco refers to these facts in a mysterious opening section, but the connection between the pendulum and other phenomena in this labyrinthine narrative is never made clear.

Like its predecessor, *The Name of the Rose*, this new novel is a kind of extended allegory of the power that secret knowledge bestows on its possessors. The narrator, a certain Casaubon (cf George Eliot) is in Milan preparing a thesis on the Templars. In the course of his researches, he strikes up a friendship with a Piedmontese called Jacopo Belbo and his colleague Diotallevi, an amateur cabalist, who are both working for a small publishing house specialising in esoteric literature and the occult.

A mysterious message is discovered, which suggests that after the French king Philip the Fair ordered the suppression of the Templars in the early 14th century, a few members of the Order escaped in a haywain to the provincial town of Provins, where they drew up a secret plan which was supposed to lead to gaining the mastery of the world six centuries later. The coded message is brought to the publishing house by a retired Italian army

FOUCAULT'S PENDULUM
by Umberto Eco
translated from the Italian by William Weaver
Secker & Warburg £14.95, 641 pages

officer, Col Ardenti, who shortly afterwards disappears.

Meanwhile the publisher, Signor Garamond, has launched an appeal for manuscripts on the occult, in order to build up a library of hermetic works. His three assistants (Casaubon having now joined Belbo and Diotallevi) decide to feed elements at random from these manuscripts into a computer nicknamed Abulafia, after a celebrated medieval Jewish cabalist; and what the computer then produces persuades them that there *really is* a Plan, to which they must find the key.

This in turn leads to a frenzied search through a host of hermetic sources, involving not only Templars but Rosicrucians, Gnostic philosophers, spagyrics, theosophists, adepts of Brazilian voodoo, Francis Bacon and Alasteir Crowley, the Jesuits, Napoleon, various masonic lodges, the Protocols of the Elders of Zion, the Old Man of the Mountains, and the Hidden Imam of the Shi'ites.

Throughout the narrative certain characters reappear at intervals in different guises, among them the Marquis d'Aglié alias the immortal Comte de St Germain, Professor Bramanti, first encountered in Brazil, the taxidermist Salon, and others. Numerology also plays a large part.

At an early stage Casaubon, trying to discover the access code Belbo has composed for his computer, writes a programme for anagrams of six letters based on the Tetragrammaton or Yahweh and when he feeds it in, out come the 720 names of God from Iahveh to Hevhai – not that this gives him the clue he needs. (It is not necessary to know the Hebrew alphabet to follow all this, but it helps).

But for the profane reader, perhaps the most difficult notion to grasp is that the Templar's Plan is not simply a key to eventual world mastery. It is also supposed to unleash a mystic source of power far transcending that of the atom, in which such structures as the Great Pyramid of Cheops, Mount Alamut and the Eiffel Tower are all linked in an interchange of telluric currents.

It would all be highly subversive if one could take it seriously, but, of course, one can't. Umberto Eco has drawn on a vast store of esoteric learning, as he did in *The Name of the Rose* merely to perpetrate a gigantic hoax, although the first novel, by being confined to the 14th century, did attain a certain cohesion. *Foucault's Pendulum* on the other hand, spans many centuries yet is also so relentlessly contemporary that it drags in references to people like Barbara Cartland, Kamal Jumblatt, and Woody Allen.

Moreover, the obsession with the magical power of numbers is such that one begins to wonder why anything was ever left *out*? Why no Enigma Machine, why no Bletchley Park, why no computer viruses? In the end even Casaubon realises that the real secret is that there is *no* secret; and so one is left with the spectacle of great erudition swallowing its own tale.


Umberto Eco: useful to know the Hebrew alphabet

A cluttered study

*An impeccable theory for exploring the English novel is close to falling apart, says **Gillian Tindall***

IN THE quotation from Henry James which supplies Peter Keating's arresting title, the "haunted study" is contrasted with the "phantasmagoric town." This town may be supposed to have formed much of the background to Professor Keating's celebrated earlier work, *The Working Classes in Victorian Fiction*, but what haunts the study of the more fastidious novelist is less clear, both in James's remark and in Keating's huge new book.

He is right to suggest in his preface that those who occupy themselves seriously with literature in any era will find themselves perforce confronting many of the dominant issues of that era, political, sociological and practical.

It is understandable that he should have accumulated irritation over the years with what he stigmatises as the present day's "aggressively ahistorical" approach to literature. Given that the currently-acceptable narrow alternatives of a Marxist approach, or a feminist one, seem almost broad in comparison with prevailing "authodoxy", his call for return to a wide historical and cultural context is justified. The trouble is, writing about everything in one book is not the best recipe for a coherent whole.

Keating does explain his method, in case anyone should be tempted to regard his book as unfocussed: "Each chapter is centred on one topic or theme and explores various aspects of it . . .all of the chapters are organised on a chronological basis, and each of them covers the whole period."

The theory is impeccable. But, in practice, the whole book is in danger of sinking under the weight of its own diverse information; not so much a haunted study as a dauntingly cluttered one.

I am not sure that we needed to hear again about the prosecution of Vizetelly for his supposedly indecent translations of Zola – or yet about the decline and fall of the three-volume novel (very ably dealt with by Guinevere Griest in *Mudie's Circulating Library and the Victorian Novel*). It is true, however, that some of Keating's most telling passages flow from this, when he demonstrates that the Golden Age when most novelists could live by their fiction ended (if it ever existed at all) with the Victorian three-decker in the early 1890s, and that from that day to this times have been hard.

Keating's citations from the annals of the Society of Authors have a disconcertingly timeless echo about them. Was

THE HAUNTED STUDY: A SOCIAL HISTORY OF THE ENGLISH NOVEL 1876-1914
by Peter Keating
Secker & Warburg £30.00, 448 pages

it really in 1887, or just 100 years later, that the society published the proceedings of a well-attended conference under the title *The Grievances Between Authors and Publishers?* The continuing relevence of the following (actually written in reference to the early years of the century) is equally striking:

"One method by which the author could earn a fairer proportion of the profits on a medium-selling novel was the rising royalty . . .it is obviously more profitable for the high or best-selling novel where it mainly functioned, but the Society of Authors wanted it introduced to help writers on much lower incomes, and their suggested plan suggests just how low that could be . . .the publishers would accuse the society of greed, but they were really talking about basic survival."

There are, however, wider agendas occasionally surfaced. When Keating says that: "The royalty system became symbolic of a new kind of individual freedom . . .the author was to be enfranchised as the working class voter had recently been . . .the royalty system was his equivalent of the ballot box," one wishes that he had pursued this illuminating thought further instead of submerging himself again in the minutiae of publishing houses.

This minutia is sometimes in itself rewarding. There is, for instance, a particularly good section on "sweated writing" and on the "wage slaves" (predominately female, like their garment-trade counterparts) who toiled away at home for small gain, producing a mass of religious and sentimental literature for the delectation of the newly-literate masses.

But each time this author seems on the verge of some far-ranging analysis of the workings of Victorian society, the structure of his own book carries him off into some other corner.

Thus we pass in succession, through or by, late-Victorian anti-Victorianism, the invention of the Victorian family as an expression of materialism and its changing image, the decline of belief in God, the real originality of early writing about suburbia, "the rhetoric of exile" and, *passim*, the literary debate of the time about the virtues of Realism as opposed to Romance.

Oddly, however, we have almost nothing directly related to the concept of social progress, a preoccupation so enormous and all-pervasive that it dominated all aspects of 19th century thought and has only very gradually and partly receded in the course of our present century.

Could it be that this particular ghost in the study is so substantial that even Professor Keating is standing too much in its shade to see it clearly?

Verse with prose virtues from a poet who loves language

IN "SOLDIERS Plundering a Village," from Anthony Thwaite's 1973 collection, an horrific scene is described with great immediacy. Only in the closing lines does the poet tell us he is evoking a painting of 1682. He insists on the timelessness of certain human gestures, such as cruelties and ambitions, and their futility.

The poem, "Now," designed to make man small in the cosmos and in history, ends with an image of triumphant irony: the poet "caught in the middle years and counting syllables." That creative act, defined in cold mechanical terms, stands *against time* as it always has done. It is all that the poet can do, and must suffice.

Poems 1953-1988 enlarges the 1984 collection; and generous it is despite the culling of his earlier books, especially the unsuccessful *New Confessions* of 1974 which is reduced to four passages. There remain 207 poems, more than 50 from the past five years. Perhaps it is over-generous.

Thwaite could assemble two quite different Selected Poems. One would reveal a young cousin of the Movement, disabled by solemn irony and a moralising humility, heavy with debts to MacNeice, Auden and, most notably, to Larkin. His diction is highly wrought. He is fascinated with ingenuously elaborated conceits.

But his other Selected would startle readers by its conceptual and stylistic originality. Keith Douglas, who left a mark on poets of Thwaite's generation, said that the poetry of the Second World War would be written after the war was over. Thwaite's best poems bear him out. It is verse with prose virtues, especially a rapt attention to complex syntax which can develop hypnotically, sometimes taking the poem beyond what it has to say. It is not only pressure of content which drives the best poems but a love of unfolding, complex language within chosen forms.

POEMS 1953–1983
by Anthony Thwaite
Hutchinson £8.95 (paperback), 192 pages

The latter poet is admirable; a late Roman writer nostalgic for Greek roots, aware that in the riot of dialects he is rich in verbal resources, yet culturally poor. He lives at the end of things and writes best from the borders of his historical empire, from Libya and Japan where he taught, places in which his sensibility is defined by isolation.

He develops an essayistic mode, hovering between dramatic monologue and verse epistle. His first major poem is "The Letters of Synesius" from the 1967 collection, 12 brilliant epistles which merge his own identity and concerns with those of a Roman citizen, Synesius of Cyrene, bishop of Ptolemais, who died in 413 "at the hands of a native Libyan tribe." "The old," he writes, "Survives by demanding nothing: the new/Frets in its expectations."

Such poems do not temporise: they draw conclusions. They are courageous, elegant acts of statement, clean of commonplace, the diction hard-earned and precise, the subject matter rewardingly unfamiliar. Examples of this inventive, dynamic poet are scattered among less arresting work.

When he settles back into his native English landscapes, he loses his distinctive colouring and becomes just another English poet. "What oft was thought," certainly. We live here, and the news he brings us has been conveyed more bleakly and dynamically by others. There is an elegance which aestheticises extreme experience – "the casual suicide" for example – which devalues his art. It would be churlish *not* to laugh at his literary satires, which are funny today (although with the next generation they will become opaque).

One can only wish Anthony Thwaite memories of exile and the intellectual and emotional discomforts which have produced, over the years, poems free of the formal and thematic commonplaces which define many of his more local pieces. And for his 60th birthday next year, why not two Selected Poems, one for each of his readerships?

Michael Schmidt

Crime

A PORTRAIT of a dead actress is reconstructed, one tessera after the other, through the irresistible quest-for-Corvo process, which Margaret Hinxman employs with admirable dexterity in A Suitable Day for Dying (Collins £10.95 245 pages).

A number of little surprises lead up to the grand surprise at the end. The questor, in this case, is another actress theoretically looking into the subject of a biopic in which she is meant to star.

Actually, she is investigating – and putting back together – her own life too. The book has a welcome vein of tart humour (the theatrical and film ambience is economically and pungently drawn), to offset the effective atmosphere of brooding menace.

A drama festival in a genuine Jacobean inn brings together an expectedly colourful bunch of actors in Robert Barnard's Death and the Chaste Apprentice (Collins £10.95, 192 pages).

And, since the festival also includes opera in the Alhambra, a local Victorian theatre, an international cast of eccentric singers adds to the confusion, the fun, and the menace.

William Weaver

Gardening

Seedy tale of summer

*Chickweed has defeated the bravest endeavours of **Robin Lane Fox** and earned his respect*

THE DRY weather has not had many compensations, but one of them is the scope for seeds. This weekend, I'll be taking advantage of it in two directions, collecting in order to save and sowing in order to gamble. The savings ought to work, but the gamble, as usual, is a long shot.

In a dry summer, seeds ripen properly and plants appear to be in a frantic hurry to set them, scatter them and die back. This year, I have acquired a sneaking respect for common chickweed. It needs less than a week from its first hint of a flower bud to the final fluff of the seed head and for three months, we have been waging continuous war. The more I hoe it, the quicker it is to sprout nearby, grow a few inches high in a dry spell and begin to set seed before I catch it. It has won several rounds, against all odds. If only phlox were so prolific.

This year, there have been seed-heads on monkey puzzle trees, masses of seed on trees of the desirable Acer griseum, seeds on our pocket handkerchief tree and so many seeds on drought-loving plants that the stock of them ought to see us all through next year. This weekend, I suggest that you take a few brown envelopes and check late flowering plants for a dry, ripe harvest. Shake the seed into the envelope, seal it and keep it in a cool place: remember that the seed of delphiniums should be kept in a compartment in the fridge until you sow it in February, a discovery which has transformed my success rate with this awkward germinator.

The seed is ripe (usually) if it is firm, dark and ready to shake free of its seed-head. There is still a marvellous haul to be had on hardy agapanthus: salvias rattling with their crop and if you are a grower and lover of the white-flowered Gillenia, its seed is your best way of multiplying it quickly and cheaply. I love this June-flowering plant because it is delicate and unfussy: about two feet high, it does not need damp, as most of the books say, but it is quite happy in semi shade.

Just now it is turning a brilliant red, the finest finale which I ever remember from it. It hates to be divided, but my plants are packed with fine brown seed which germinates like cress if sown next spring. You will then have dozens of flowering gillenias in 1991.

You can, of course, raid friendly gardens with a pack of brown envelopes and not seem to do much harm to their owners. It was on just such a raid that I first bagged the tall, almost-hardy Verbena bonariensis which has been one of the star turns of the summer. Down in the National Trust garden of Tintinhull, its bare stems and heads of violet-blue flower were one of the supreme sights of this dry August. It is a marvellous plant for placing at intervals in the front row of borders where it will grow quite tall, break up the ground-line and flower until the frost. Although it reaches four feet, it needs very little room and will come up through other neighbours. A

few seedsmen still list it, but it is packed with seed this week, ready for the brown envelope trick from which it can be raised by the hundred.

Salvias are also an essential stop: if you have friends with the biennial Salvia turkestanica, trouble them for a quick shake-out into an envelope as this essential border-plant is beginning to be sold in pots and priced at up to £2 each. Too few seed-lists have kept it, but it germinates madly from any sowing and will grow on to flower late next year if you sow it immediately in a box under cover. It is the form with pale purple bracts of flower and the pungent smell of a crowd in a very humid summer. One of its great supporters told me recently that she had always nicknamed it Hot Housemaids.

So much for the collecting, you can take your pick, not forgetting the trees. The sowing is based on hunch. We need to have six inches' extra rain in order to bring our local water levels back into line and I suspect that we'll have them in a mild, wet run-up to Christmas. Mildews will continue to have a field-day; everything will germinate and we will all be hoeing weeds until the New Year. There ought then, to be time to act on the advice which writers keep alive and most gardeners ignore: sow some hardy annuals outdoors now in the hope that they will survive through the winter and be ready to flower in late spring.

Ideally, they should have gone in about a month ago but as it has hardly rained since, they will not be any the poorer, at least if my weather forecast is right. I am particularly willing to risk them because I saw such results from the idea last season. In a Buckinghamshire front garden, the owners had Love-in-a-Mist in flower in April among red flax, a charming profusion of scented mignonette and enough pot marigolds to please their enthusiasts. The winter had been ideal for them, but once you have seen summer annuals among the daffodils, they tantalise you like strawberries at Christmas: you want them too.

Actually, some of mine are already perpetuating themselves. Most hated the dry summer and flowered too early at a desiccated height; they are now sprouting all over the place, having left their seedlings in the soil. I have a great sweep of the splendid small nemophila maculata (from Thompson & Morgan) which has self-seeded itself everywhere for the second year running: it is up to you to keep their stock going by trying this small annual, as I now have it without needing to buy any more.

On the Buckinghamshire model, I intend to add mignonette, some night-scented stocks, the robust blue-flowered echium, some godetia in separate colours (not carmine) because they would look so startling among the tulips. Usual rules apply: make a shallow seed-drill by pressing the back of a rake-head on to the soil, sow into the drill directly from the packet, rake the soil lightly over the seed and press down gently with the rake. At some point, nature will make amends and water what you sow. If I'm right, there will be no real frost before the seedlings are up and prepared for a modest winter. You could then have summer flowers with the spring bedding plants, a crazy postscript which will carry memories of this mad season into next year.

It's all go at Gateshead

Arthur Hellyer looks over a festival in the making

THE FOURTH British garden festival will open at Gateshead next May 18 and close on October 21. These two-yearly events started in 1984 with the international festival at Liverpool; and while those that followed have been on a national rather than an international footing, that is largely a technical matter concerning the way the exhibits are judged and tells little about the scale of the exhibition, the number of visitors, or where they come from.

In fact, each festival has learnt from its predecessor. Glasgow in 1988 was the first to attract more than 4m visitors and Gateshead now is certainly further advanced and more impressive in planting than were any of its predecessors six months before opening date.

Festivals of this kind, rather like gigantic flower shows but continuing for several months and usually leaving behind some permanent addition to the environment, started in Europe shortly after the war but Britain was slow to take up the idea. When it did, spurred early this decade by the efforts of former Cabinet minister Michael Heseltine to re-vitalise decaying cities, improvement of sites was paramount and they were always chosen where they were thoroughly derelict.

Gateshead rivals any of its predecessors in this respect but has some peculiar difficulties of its own. Not only had the site been occupied by long-disused industrial units including gas, tar and coke works and railway sidings but its two areas, each of about 100 acres, were separated completely by a major road connecting Gateshead with Newcastle. This has been bridged and the total length of the site is now 1.5 miles.

All this posed great problems in moving people. There could be a danger of those entering by river at the north end staying in that area and those coming from the Tyne valley to the south remaining in theirs, since each 100 acres will be packed with interest. For those who buy season tickets that might not be a bad thing, since they could vary their entrance point according to their convenience. But, of course, most people are likely to visit for a single day and enormous ingenuity is being used to get them from one end of the show to the other (and all around it).

There will be five miles of overhead monorail track carrying slow-moving trains disguised as caterpillars (the logo of the Gateshead festival is the butterfly signifying colour, brilliance and movement) which will wend their way in and out of the exhibits sufficiently high up to command a panoramic view.

There will also be a miniature railway and some genuine antique trams renovated for the occasion by the National Tram Museum at Crich, Derbyshire. And there will be a railway called a People Mover, the sole purpose of which will be to transport tired visitors back to the car parks at either end of the exhibition.

Visitors will be tempted across the bridge linking the exhibition areas by creating the illusion that they are journeying from London to the Orient or vice-versa. On the way they will pass Big Ben, the Eiffel Tower, the Leaning Tower of Pisa and other well known landmarks, and will be entertained by musicians and other performers representing the countries through which they are passing.

More seriously, there is to be a strong educational element in this exhibition: a working farm; an open-work coal mine converted into luxuriant wetland complete with all the appropriate native plants; an international exhibition of contemporary art which will make full use of the great variety of settings available; and a vast space-ship into which visitors will enter, visit various planets and galaxies, and emerge as fully integrated inhabitants of the universe. Well, something like that.

The river Tyne flows through much of the site and full use has been made of it as a landscape feature. Eighteen dwelling houses are being built as a feature of the exhibition and there is a firm undertaking to build 386 more when the exhibition ends and offer all for sale. There is also a commitment to build flats and sheltered accommodation on the riverside site, and these will be for renting.

In fact, this is the first garden festival to secure commitment for long-term developments covering the whole site, and to sell off all its land for after-use well before the show actually opens.

It has also done well with advance ticket sales. About 18,000 seasons have been bought already at £30 each.

For me, the most impressive – and also, in some ways, the saddest – structure at Gateshead is the great wooden jetty, the Coal Staiths, which curls out into the Tyne. It was built a century ago after the river had been dredged so that big ships could come up to load coal. Now, that trade is finished and the great chutes which delivered the coal into the ships are idle.

During the festival it will make a magnificent viewing platform for various river events, and the large basin it encloses will also be used for aquatic sports. I was told that a 100-year-old man who had worked on the staiths most of his life would be coming to see what had happened. I wonder what he will make of it.

Despatches: Dadu

The snatch and grab merchants

Christina Lamb meets the bandits in Pakistan's most crime-ridden area

KARO MACHI, a self-proclaimed robber-baron, sipped tea from a china cup as he explained: "The advantage with abducting people is that they understand the threat." We were deep in the forest of Dadu, Pakistan's most crime-ridden area. Surrounded by a retinue of servants and members of his 15-strong gang, all carrying menacing weapons mis-directed from the war in Afghanistan, Machi – or "Black," as he is known – added: "If you point a gun at a buffalo, he doesn't appreciate that it is the latest Mauser that can shatter his skull within milli-seconds. He doesn't have a family to worry about. It's really quite frustrating. But with people, you can see all these factors running through their minds. They get scared . . . and we get rich."

Simple, really. This is why the dacoits – bandits who infest the forests of rural Sindh in southern Pakistan – have given up their centuries-old cattle-rustling and gone in for people-snatching. So much so that Nasim Mirza, head of ICI Pakistan, describes dacoity as the country's biggest growth industry. And it is profitable. According to Hoth Chandio, a well-known dacoit, members of the 40 gangs terrorising the highways of Sindh can reckon on earning a minimum of Rs200,000 (about £6,000) a year (compared with a national average of around £250).

It has its risks, though. Recently, three of Black's men were killed – or "neutralised," as Pakistan's authorities prefer to describe it – although they took three police with them. Hoth is now in Mehar village jail where he is treated like a lord, having surrendered because he'd had enough of "living like an animal." His colleagues continue to roam between mountains and forests on the banks of the river Indus, never in one place for more than two days.

Most of Black's men say they were forced into dacoity by a combination of the feudal system, unemployment, and the difficulty of eking a living from the unforgiving land through which salinity is creeping like a white plague and which needs yearly rain to grow crops in the sub-soil. They have little chance of breaking out of the feudal stranglehold. There are no jobs; one in four children dies before reaching five; the average family has 10 members, and education hardly exists.

All local politicians are zamindars (feudal lords), who talk of free universal education in drawing-rooms in the capital but prevent it in their own areas, knowing it will loosen their grip. At present, they can count on a bloc vote from their tenants who, in Pakistan's centralised system, rely totally on the zamindar for official dealings as well as making a living.

Naik's story is typical. "I was a peasant, a tenant farmer. We worked a strip of land for which we got a small percentage of the crop. It was barely enough to live on – there were eight children and my mother needed medicine. One day, another family tried to encroach on our land. They were from the same tribe as the landlord, so he got involved and had me implicated in a murder case. We could do nothing – the police are an instrument of the landlord. When I was released after five years, I could get no work. I had no choice but to become a dacoit."

Others, like Bakar, became dacoits after the landlord tried to force them to commit crimes against political enemies and be part of his private army. "I was in my first year at college but my family was totally dependent on the zamindar, who doesn't want anyone to be educated. He dictated us illegal things to do. I refused – so he got me arrested, to force me. I did some small crimes for him, with police consent, but then thought I might as well steal for myself as for him. So, I became a dacoit."

Hoth Chandio . . . "everyone's watching what happens to me"

The superintendent of a Sindh district jail says this is a common scenario. "The landlord is king of the village. If he wants to kidnap a girl, he can. People will thieve for him. The police chief is the personal friend of the landlord, who provides him with drink, money and women."

The punishment for being a dacoit is death, and the superintendent says 300 have been hanged – and many more arrested – in the past 10 years. But new ones keep coming. According to the police chief in Larkana, the home-town of Prime Minister Benazir Bhutto (who herself has had two servants abducted): "If we capture five, another five will come up."

When dacoits first progressed from stealing animals to abducting people, they restricted themselves to highway robberies. The first reported kidnapping was in 1979 and the victim was the son of Rafi Kachelo, a supporter of Bhutto. As arms flooded in from the war in Afghanistan, kidnappings became more common. The arsenal held by Black's group includes mortars, rocket-launchers, 12-bore shotguns and Kalashnikovs. These compare with the ancient Enfield rifles of the police who, for £63 a month, can be forgiven for not standing up to such weaponry.

It is estimated officially that Dadu now has 160 dacoits to every square kilometre, the number shooting up after 1983 when the brutal army oppression of an uprising against martial law sent young men flooding into the forests. Hoth Chandio was one of these. "The army started raiding villages, burning down houses, stealing cattle and raping women. In my village, Nari, they killed eight people. My brother was wrongly accused of a murder and put in jail. I knew I'd be next. There was no one to help us; our only recourse was to flee into the jungle where we were branded criminals."

But the breakdown of local administration meant that dacoity was easy money. It is thought that 75 per cent of the police are in league with the bandits, receiving a 20 per cent cut. One of Black's gang has a brother who is a local police officer, and Black claims they have on occasion used police vans. Police even pay large bribes to be posted to the area because it is so profitable.

Wearing colourful, mirrored caps to show their Sindhi origins, most dacoits have become highly political and took an active, if unsavoury, part in the election last November that resulted in Benazir Bhutto's election. Black claims, as he buries his latest booty: "We are not dacoits. We are crying for our rights, for the problems of Sind."

Like many, he thought Bhutto's Pakistan People's Party (PPP) would be sympathetic and give a general amnesty, but the Sindh Chief Minister, already under fire for being weak, ranted on the ground that "this would be like giving them a licence to commit more crimes."

Hoth, who has 23 charges against him and had a Rs800,000 (£24,000) reward on his head, still has hope. "Being dacoits was our way of rebelling against martial law. We helped the PPP in the elections and they gave us assurances we'd only be tried for police cases and treated leniently. Now, everyone's watching what happens to me."

Some dacoits have become heroes, modern-day Robin Hoods who rob from the rich and give to the poor and whose daring exploits are told to wide-eyed children. One of them, Paroo Chandio, even had a film made about him. Once a barber, he killed 53 people and would drive around in police uniform. Following a daring jailbreak in 1982, he played cat and mouse with the authorities for six years. No wedding was complete without him, and when he was killed – betrayed by his best friend, who drugged him and then drove him into a police ambush – thousands went to his funeral, including local officials.

Threat to poet's house

*Urgent repairs are needed, reports **William St Clair***

JOHN KEATS is the best loved of the English poets. Other writers may have been more profound but none spoke so directly from heart to heart. His philosophy was a simple one. "Beauty is truth, truth beauty – that is all/Ye know on earth, and all ye need to know."

How could it be, his friends wondered, that a man who had never crossed the Channel was so perfectly in tune with the liberating classical spirit of warm southern Europe? Were wood nymphs really to be found in Hampstead Heath among the nightingales? Short in height and perky in manner, Keats was more sensitive than he showed. He was also intensely vulnerable to the criticism which his poems attracted.

Reviewers professed shock that a boy with a London accent should dare to soar so high on the viewless wings of poesy. There was no place, they sneered, for a Cockney school of literature. But Keats was determined not to be crushed by condescension. Whatever the contemporary literary establishment might say, he knew his own quality.

Even more than the other romantics, though, Keats was marked for a cruel fate. He watched the long, slow death of his brother from tuberculosis and, having studied surgery before he turned to literature, he knew TB ran in families. In his time, of course, there was no cure. In February 1820, not long after his engagement to Fanny Brawne, the coughing began. He was only 25.

That September, the young poet set sail for Italy in the hope that the warm, dry climate might delay the advance of the disease. For three months (with his friend, the painter Joseph Severn), he lived in Rome in two rooms at No 26 Piazza di Spagna, alongside the Spanish Steps. It is one of the most beautiful places in the city.

The credit for saving No. 26 belongs to the US. When, in 1903, property developers proposed to build a hotel on the site, eight American writers resident in Rome led a successful protest. By 1906, a subscription in Britain and the US had raised enough money to buy the house, and in 1909 it was opened formally in the presence of the king of Italy.

A rich array of original pictures and manuscripts was donated by family heirs and other collectors; a library was established; and the house became a memorial, not just to Keats but to Shelley, Byron and the other English romantic poets who had chosen to live in Italy. It became rapidly a favoured visiting place among tourists as well as scholars, a symbol of the links between Italy and the English-speaking world.

The strength of these bonds was shown a generation later during the Second World War. The main treasures of the house were hidden by the Italians deep in the abbey of Monte Cassino where, unlike the abbey's own works of art, they escaped looting by the Herman Goering Division. On September 10, 1943, when the Piazza di Spagna was shelled by the Germans, No 26 survived with shattered windows and a damaged roof. Shortly afterwards, it survived again when partisans set fire to a neighbouring house used as a fascist headquarters.

On June 4, 1944, the Allies entered Rome. The next day, the Italian curator opened the windows of No 26 for the first time since the start of the war. At 6am, the memorial had its first visitors: Captain Mason of the British Army and Shan Sedgwick, an American war correspondent, knocked on the door.

"Everything all right?" they asked. The smell of leather bindings, Sedgwick wrote, was a miraculous sign of returning civilisation although he could still hear the rumble of the tanks. Within weeks, the memorial was opened again to the public.

Now, it is under threat again from a less dramatic enemy but one just as destructive. The roof needs to be repaired, the facade re-surfaced and recovered, and the water system renewed.

The Association of Friends in Britain and the US, which has maintained the house since its purchase, is appealing for the modest sum of £250,000. The Queen Mother is patron of the distinguished appeal committee which is mobilising support. Any suggestions should be made to C. M. Mann, 16 Leight Street, London, WC1H 9EW (tel. 01-387-0020). Make cheques payable to the Keats/Shelley Memorial Association.

The rhino's last chance

WE HAD spent the early morning tracking the spoor of animals – the lion's three pads on the back of the foot, claws in front; the hyena with only two pads at the back; the cleft hoof of the waterbuck. Branches of thorn bushes had been snapped off sharply by black rhino; tall branches dragged to the ground, their bark stripped, showed where elephant had been feeding.

Now, in the tiny local command post of Zimbabwe's National Parks Department in the Zambezi Valley, it was startling to see photographs of human footprints pinned on the wall, and to learn that the target of this hunt was himself a hunter – specifically the hunter of the black rhinoceros.

"Operation Stronghold" is a last-ditch attempt to save the black rhino in Zimbabwe, a species that – if nothing is done – may be extinct by 1995. It is becoming a familiar story. Having lived on the earth for millions of years, ranging through open plains and thick jesse bush, browsing on leaves, twigs and wild fruits, the rhino is now valued pre-eminently for its horn – which, of course, can only be obtained once it is dead.

The horn is easy to remove and light to carry. It can be hacked out of the forehead in under ten minutes, whereas it takes two to three hours to chop the tusks out of an elephant. At night poachers from neighbouring Zambia can canoe unseen across the Zambezi river which forms the northern boundary of the middle Zambezi Valley, track and kill their rhino, and be out again in a few hours.

Since the river is also an international border with Zambia, co-operation with the Zambian Government is essential to any campaign of preventing the poachers easy access to their prey. This, it has to be said, has not so far been adequately forthcoming.

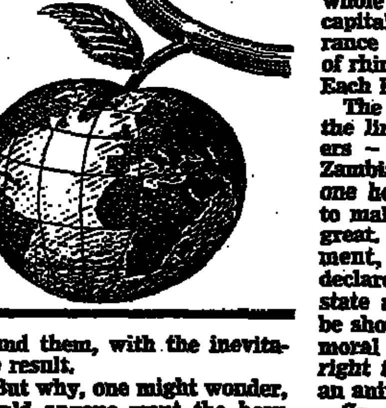
The rhino is particularly vulnerable to poachers because it is a creature of settled habits. It prefers regular and predictable paths and waterholes, and makes its appearance unmistakeably clear by scattering its dung with its back legs.

The Zambezi Valley covers 12,000 sq km and the National Parks has only one man for every 200 sq km, so effective patrolling cannot be done. Although Unesco defined parts of the valley as a World Heritage Site in 1984, there are just not enough funds allocated by the Zimbabwe Government to protect it.

"Would you believe," Mark Brightman, the Parks Ranger asked us, "that we don't even have a helicopter?" He had one once, but it was withdrawn when funds ran out, and the Zimbabwe airforce has none to spare. "If a poacher is spotted, it may take us three days to get there, by which time he is gone."

On average, one rhino a day is being killed. There used to be between three and four thousand in the Valley, but, since the poachers, few are now left – no-one is certain how few. Even when 300 were moved – drugged and airlifted from the Zambian border – the poachers followed and found them, with the inevitable result.

PLANET EARTH



But why, one might wonder, would anyone want the horn of a rhino anyway? In the Yemen the horns are polished and carved into ceremonial dagger handles. In south east Asia and the Far East the horns are ground into powder and used (absurdly) as aphrodisiacs and cures for fever.

This is in spite of an international agreement through CITES – the Convention on International Trade in Endangered Species – in which all countries of the world agreed to a total ban of trading in rhino horn products. Authorities have been unable to plug loopholes in the Yemen, Burundi, Macao and the United Arab Emirates.

As so often in the destruction of animal life, those truly responsible are far from the scene of the killing, shielded from the question of whether this material for their daggers or potions is "worth" the death not only of this one particular animal but also, eventually, the extinction of a whole species. For those who capitalise on such human ignorance or greed, one kilogram of rhino horn is worth $25,000. Each horn weighs about 3kg.

The temptation at the end of the line for the actual poachers – often poor people from Zambia who are paid more for one horn than they can hope to make in a year – must be great. The Zimbabwe Government, as a last resort, has declared them enemies of the state and, as such, they may be shot (inevitably raising the moral issue of whether it is right to kill a man to protect an animal).

Consequently, a new level of violence has entered the conflict between the poachers and the rangers, and people from both sides have been killed and wounded. Zimbabwe's President Mugabe signed a bill last month granting indemnity to the rangers for the deaths of poachers, though more rangers and more equipment per square kilometre would mean that poachers could be brought more justly into the courts, where a five-year sentence is now mandatory.

The rangers desperately need more funds, and helicopters in particular. While we were being briefed in the Valley command post, suddenly, from the crackling radio on the table, came the urgent voice of another ranger: "Contact. three hundred metres . . . good blood spoor . . . lost him . . ."

A poacher had been seen, shots fired, there was human blood on the ground – and the prints of the shoe were one of those pinned up on the wall in front of us. But as the day went by, the poacher's spoor faded and, without a helicopter to oversee a greater area, the rangers gave up the search.

So what can be done? To take one example, the "African Wild Life Conservation Fund," based in Toronto, [Tel. (416) 321-3757] has already given Zimbabwe's National Parks and Wildlife Management a computer and printer to help in their field-monitoring activities.

Increasingly, with the growing threat to the survival of animals, rain forests, vanishing plants and ecosystems, the question arises of who should assume responsibility for saving them. Is it fair to leave problems which concern us all solely to the countries which most immediately encounter them?

From a wider perspective, Zimbabwe could perhaps be seen as guardian of one aspect of life on behalf of the rest of the planet. Should the powers of Unesco – or some other branch of the United Nations – be expanded to assist in the protection of endangered species? And would it therefore be reasonable to require a contribution from all nations, since, in the disappearance of animals, trees and plants from the face of the Earth, we are all of us finally implicated?

■ *Information: Rhino Rescue Trust, P.O. Box 1, Saxmundham, Suffolk, IP17 3JT. (Tel: 072877-305).*

Jules Cashford

HOW TO SPEND IT

Jewellery for the simple at heart

There's less glitter as designers go for classic pieces that don't cost the earth, says **Lucia van der Post**

ONCE UPON a time – I have it on the best authority – gentlemen used to buy jewellery for their lady loves. Those were the days when all the prime ministers were men; when Equal Opportunities, Greenham Common and Power Dressing had not yet been heard-of, and when discreet little boxes hiding a darling *quelque chose* conveyed a message sweeter than words. Today, it seems, the female inheritors of our brave new world more usually have to buy their own.

All this has, of course, meant that jewellery designers have had to rethink their wares. Wildly romantic little bits of evening glitter, designed to emphasise the sheen of the bosom or the pearliness of an ear lobe, are not top of the shopping list for today's high-earning woman. What she wants is something bold and sculptural to brighten up her chalk-striped jacket, a simple piece of gold or silver to distract from the severity of the dark grey dress or to add a touch of wit to her plain black suit.

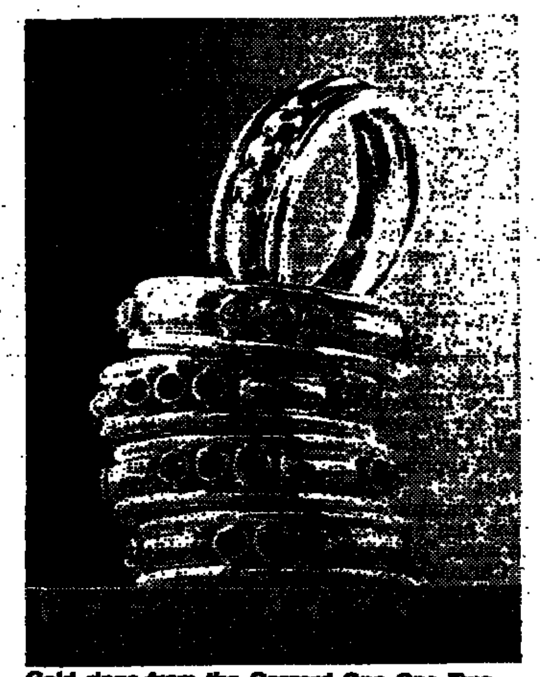
Once, the grand *joailliers* were awash with curvy bows and butterflies, with romantic rings, and with pendants fit to stun a maharajah. These days, while there may be a few such items glittering away in the showcases, there is always a simple, classic collection of pieces that don't cost a king's ransom and can be worn from dawn to dusk – to the office or out to dinner.

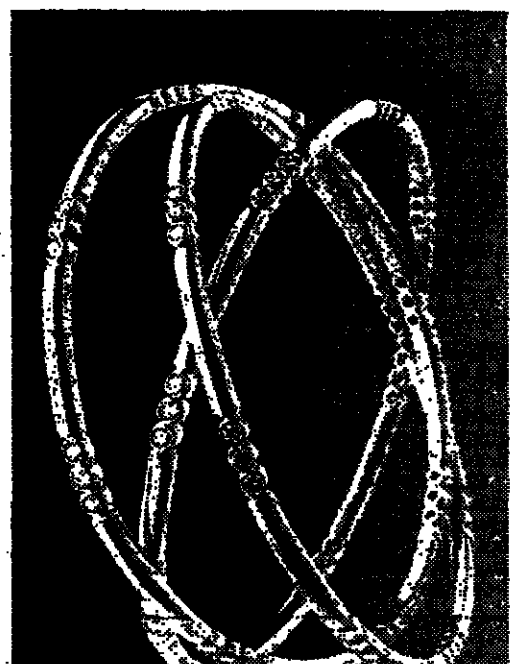
Just as the couturiers who survived those grim years after the First World War were those who realised that old markets were dying and new ones needed to be created (way back in 1921, Worth decided that "the modern designer must devote his greatest effort to clothes for ordinary occasions"), so the jewellers that still cluster round the Place Vendôme and Bond Street, around Regent Street and the Faubourg St. Honoré, are facing up to changing times.

Signs of those are all around us. Over at De Beers, they have what they call "affordable" collections for working women (all featuring diamonds, of course) which will be much in evidence at good jewellers come Christmas. At prices ranging from £700 to £3,000, some of Britain's best jewellery designers – people like Len Wilson, Leo de Vroomen and Paul Spurgeon – have turned their talents to cater for this growing market. They can't give me precise figures but all the anecdotal evidence shows that, every year, more and more jewellery is bought by the woman who is going to wear it.

When working woman first began to acquire little pieces of glitter for herself, they tended to be inexpensive and fake. As her progress up the working ladder grew, more and more it seemed that she wanted it real and classic. Fake jewellery is fun and often highly fashionable; but as it, too, has risen in price, she is turning increasingly to gold and silver, precious and semi-precious stones. She has tired of pieces that are made badly, fall apart and have no resale value.

David Yurman's Cable Collection: Gem earrings on the left, £1,170; rings range from £190 to £350, the hoop earrings are £470; the small brooch on the right is £225, the larger, £485. The large necklace, of mainly silver but with some 14 ct gold is £835, while the silver bangle with gold ends is £495. From Mappin & Webb, 106 Regent Street, London W1 and branches





Gold rings from the Garrard One One Two collection. Rings range from £250 for the plain gold to £900 if embellished with diamonds. The 18 carat gold, triple bracelet with diamonds, £5,500. From Garrard, 112 Regent Street, London, W1

At Garrards, a long-time purveyor of engagement rings, coronets and tiaras to royalty, they have seen the signs. They have noticed that royal engagements do not happen every day and that there is not much call now for coronets and tiaras. They are looking to the "younger" (trade euphemism for poorer) woman to expand their market, and from November 8 will be launching their first "branded" collection of jewellery designed in-house.

Clearly, however, these younger women are not expected to be all that "young" (i.e. poor) for prices, although eminently reasonable by grand jewellers' standards, are not exactly peanuts. Plain gold rings will sell at £250 a time (but as soon as you add the diamonds, the price jumps to £900). Eighteen-carat, three-gold triple bracelets with diamonds are £5,500 (although for £4,750 you could have them with sapphires, emeralds and diamonds instead of all diamonds). However, the collection is classic-looking, very wearable – and will never date.

At Mappin & Webb, they have for some time been developing a collection of designer jewellery for the successful modern working woman. The Mappin & Webb customer, it seems, wants a fashion look but she wants it to be real. She, too, is tired of fakes that fall to bits.

The latest assemblage to reach M&W's counters is David Yurman's Cable Collection. Already famous in the US, where the glitzy showbiz set have taken to his pieces with the kind of enthusiasm only they can muster, the "cable" bracelets – the twisted strands of gold and silver embellished with precious and semi-precious stones – are now flaunted on many a famous wrist (Joan Rivers, Angie Dickinson, Farrah Fawcett, Liz Taylor et al).

There are some 100 different pieces in the collection, ranging from rings to bold but almost classically simple twisted necklets and brooches. Prices start at £95 for the simplest ring and go on to £8,900 for an 18-carat gold necklace studded with gems. The whole collection is available at all eight Mappin & Webb stores (the main branch is at 170 Regent Street, London, W1).

Emma Forbes, currently presenting *Life Style* on satellite television, wears Leo De Vroomen's collection of earrings (£2,836), brooch (£3,537) and bangle (£4,795). All feature diamonds and 18 carat gold crafted with ebony. These pieces are currently travelling around the country with De Beers Diamond Occasions collection and from October 30 will be at Eric Smith, 201 Ayr Road, Newton Mearns, Glasgow. From December 14 the entire collection will be at Argenta, 82 Fulham Road, London, SW1, which, in the meantime, will take orders

Tireless, a woodcut by Tsugumi Ota, £190, from the Contemporary Art Society market

Art goes to market

EVER since the first Contemporary Art Society market – sponsored by Sainsbury and held at Smith's Galleries in Neal Street, Covent Garden, London WC2 – opened its doors, a vital bridge was formed between artists with nowhere to show their work and potential buyers scared off by conventional galleries.

There are artists who now look forward to this yearly outlet for their work – it is exceedingly difficult to get a show into many of London's more formal galleries – and there are buyers who relish the realistic prices and the lively, informal atmosphere of the market-place that is one of the hallmarks of the event.

Last year, 767 works were sold to 410 people in four days. And if, as one of the organisers put it, "the atmosphere was more cash and carry than Cork Street," at least many unrepresented artists had a showcase for their work and many buyers had their first taste of buying contemporary art.

Nobody ever doubted the market fulfilled a need, but even the most optimistic never guessed how deep the need was.

That first year, in 1984, pictures were sold so fast that it was necessary to send out runners to the artists to find more works for the eager customers still pouring in. These days, they plan it better.

As pictures are sold, more are brought out; and for this year's market (which is due to start on Tuesday, October 31 and run until 7pm on Saturday, November 4), the fifth day will reveal a completely new set of pictures – all the larger works hung together.

As always, there will be a mixed collection of works on offer, some 1,500 in all ranging from simple drawings to huge sculptures.

Prices will range from £100 to £1,000 (although there will be a few pieces under £100) and those taking part include such luminaries of the artistic world as Eileen Agar (now aged 90 and an eminent ex-surrealist), Anthony Caro, Eduardo Paolozzi, Patrick Procktor and Bridget Riley as well as young artists just starting their careers.

For those wondering what this means in terms of standards, it is worth noting that everything on sale will have been selected by the Contemporary Art Society.

Bowl by Annette Meech, incorporating her glass tiles, £402

Green-handled jug by Christopher Williams, £390

Meanwhile, anyone taking the trouble to visit Covent Garden for the art market, and who has a taste for modern arts and crafts, should make a point of looking in at The Glasshouse at 65 Long Acre, WC2, where there is always a splendid collection of hand-made glass. And with Christmas beginning to loom large, it might be well worth considering a one-off, highly idiosyncratic piece of hand-made glass instead of a more mundane factory-made number.

Starting on October 25 is an exhibition of work by two fine glass artists: Christopher Williams and Annette Meech. Most of their work is highly usable – Meech does some particularly desirable bowls and vases using a technique she has developed of taking small glass tiles fused in the kiln and then encasing them in her clear glass forms.

Williams has some strongly individual jugs. He takes the classic shape and then adds his own idiosyncratic touches. He stretches, rounds, bends and moulds, giving them whimsical spouts and handles and turning what otherwise would be utilitarian items into highly desirable pieces of useful art. Prices will range from £250 to £500.

LvdP

City life? It's enough to give a Green the blues

IT IS DIFFICULT to be Green in a city when you know that almost every move you make can damage the Earth. A committed Green life is a series of crucial moral decisions about simple, every-day actions: what to buy, what to boycott, what cleaner to use, what to do with the peelings when there is no compost heap, how many empties make it worth-while driving (more pollution) to the bottle bank, and is Domestos all right for the loo?

Consider Gaby Green's day. After the early-morning jog (with mercury-free batteries in her Walkman), she chooses an energy-efficient shower instead of a bath. She fills her ecologically-sound AEG washing machine with phosphate-free powder before eating muesli instead of toast (less wasted energy).

After throwing away the muesli bag, she makes a note to write to Safeway and suggest degradable packaging. Her coffee filter paper is made from unbleached wood pulp (dioxin-free) and Gaby intends to buy a re-usable filter as soon as possible. She has stopped using the dish-washer because it is impossible to find bio-degradable powder, so she cleans the breakfast dishes by hand.

By the time Gaby is dressed and ready to travel to the office she has, apart from throwing away the meusli packet and the used coffee filter, contributed the bare minimum to global warming and pollution.

Unfortunately, her refrigerator is filled with ozone-eating CFC and the newspaper in her hand has contributed towards de-forestation. She has also noticed that, when all the bubbles from the delicious-smelling, bio-degradable lavatory cleaner subside, the bowl is still rather grimy.

These concerns are soon cast aside, though, because there is a really big decision to make: what is the least harmful way to get to work? The Golf is filled with lead-free, but it is out of bounds until Volkswagen gets the catalytic converter.

The bus is nearest, and reasonably efficient in terms of energy consumed per passenger, but London Transport, it seems, allows the majority of its fleet to belch great clouds of diesel smoke. Gaby is not going to support that.

She could, of course, take the mountain bike, but it's quite a way to the office and, with the attitudes of London drivers towards cyclists, it is probably safer to waste a little energy and keep alive.

The man at the Tube station does not know why LT has more than tripled the size of its tickets (more wasted paper), and tells her to mind her own business. She begins her social-responsibility argument, but soon realises it is a waste of time. The lift is broken and, although she is late, Gaby smiles as she rushes past glum commuters because taking the stairs saves energy.

For the first hour in the over-heated office, she resists the temptation for coffee. Ever since management privatised catering, drinking coffee has become a disposable

nightmare. The milk is in little plastic punnets and the vending machine dispenses only polystyrene cups.

The new kitchenettes look like McDonald's, where the central feature is a bin big enough to stand as a monument to the god of packaging: punnets, cups, sugar cube wrappings, plastic spoons . . . it's really difficult to enjoy coffee when you know that the raw materials consumed in producing a little cup of black fluid are enough to keep a Third World village going for a week.

But Gaby needs a lift before that meeting, and suspends her morality till the caffeine has taken effect. Then she feels guilty.

Office work has become a torment because of the waste it produces. The computers spew out vast quantities of unwanted paper, and then print on only a portion of it. Everyone now sends faxes instead of 'phoning, the lights are never switched off, and only the air is ever recycled.

She has asked for secretaries to be issued with CFC-free Tipp-Ex (it exists), and she has had a word with the office manager about sending the waste paper for re-cycling. But there has been no response; he thinks being Green is simply a matter of bagging and binning. By the time Gaby leaves in the evening, she has effectively wiped out the good Green deeds she practises at home.

After a glass of organic wine with colleagues, she hails a taxi for home. A black cab might not be as energy-efficient as the Tube but at least it's safe. And diesel, although a serious pollutant, is lead-free. It's hard to be morally pure after a hard day.

Committed urban Greens like Gaby live a quixotic life, at odds constantly with a system designed to make them create waste. Take newspapers. Unless you live near a Scout group, who seem to be the only people daft enough to collect small quantities of scrap paper, there is little use for well-read FTs and partly-read copies of the Sunday Times.

Newspapers pose a particularly difficult problem for committed Greens. They can't boycott the publications that contribute to de-forestation because they need the information to keep up with Green issues. And they don't have enough space to collect the tonnes of paper necessary to interest the scrap merchants.

Lack of space also means vegetable peelings have to be thrown away and can't be composted. Some Greens put their peelings through the waste-disposal grinder because they think there might be some chance the pureéd carrot skin will feed a flounder flapping through sewage waste in the Thames estuary.

For Greens who wear white or have sports-playing children, the inadequacy of bio-degradable washing powders is a constant annoyance. Ecologically-sound detergent might not pollute the rivers and fertilise algae (which takes oxygen from the fish) as do soaps that contain phosphates, but Green detergents just do not get dirty washing really clean.

So, is it ecologically OK to use a biological washing powder every now and then? Decisions. Decisions.

Committed Greens long for a time when they can go calmly about their daily lives and feel guilty about fundamentals (such as never having read Proust) rather than about the Domestos they squirted down the loo.

Peter Knight

ARTS

Miniature fuss about ivory

Salerooms are sanguine about restrictions, says ***Antony Thorncroft***

THE HAPPINESS of the elephants, as international concern ensures that they get some protection from the ivory bandits, is not perhaps totally shared in the salerooms. The new restrictions on the trade in ivory creates complications and places burdens on the sale of antiques made of, or including, ivory.

To show that their hearts are in the right place the salerooms have stopped selling ivory objects dating from the last 50 years, which really is no great hardship for them. After that things get tricky: the EC has placed a ban on trade in ivory which is less than 100 years old. This should let antiques off the hook but there is a good business in art deco ivory figures of the 1920s, to say nothing of turn of the century netsuke and oriental figures.

The situation in the US is even tougher. No ivory objects can be imported, although pressure is being asserted to push through an amendment to allow in genuine ivory antiques. If American collectors and dealers can no longer buy medieval ivories, oriental figures, netsuke, furniture inlaid with ivory, early pianos, etc., it could in theory hit the auctions of Sotheby's and Christie's in London hard.

At the moment both salerooms are sanguine: they expect good sense to prevail, and Christie's is confident that its Monday sale of portrait miniatures, its best in the field for some time, will prove successful, even though some of the lots have an ivory base.

Portrait miniatures have rarely hit the headlines in the 20th century. Around 1900 the great dealer Duveen sold off some of the best British 16th and 17th century examples to American millionaires at prices which, in real terms, have never been equalled and there was a renewed flurry of interest in the 1930s. But apart from the sudden eruption of Sir Charles Clore, who bought an excellent ready made collection from Wildenstein in the 1960s which was sold for almost £1m in 1986, there has been little to disturb the fancy.

Hilliard miniature, possibly of the 3rd Earl of Cumberland

But on Monday Christie's offers two miniatures of exceptional interest and quality, both happily on vellum. This suggests that they are very old – as they are. One is a portrait of King Edward VI, perhaps painted by the King's Painter William Scrots around 1550, perhaps the work of Levina Teerline, whose style is known from other royal miniatures in her hand. There is some repainting but this rare, early and historic object should make over £30,000, a vast sum in this market.

The other miniature is by *Nicholas Hilliard*, the greatest artist in the field. It was limned in 1614 and possibly shows George Clifford, 3rd Earl of Cumberland. It is in excellent condition, and suggestive of the flamboyant pageantry of its day. The last good Hilliard on the market sold for £75,000 at Sotheby's in 1980. Christie's hopes the biding will approach £70,000 this time, too.

The attraction of miniatures is that a collector can start with quite modest sums. There are examples at Christie's by Frederick Buck, a prolific painter of officers and gentlemen in the early 18th century, carrying estimates as low as £150. Obviously a pretty face or a martial air increases the price, and condition is very important, but what began as a cult of monarchy in the 16th century and was the monopoly of noblemen in the 17th had become a middle class fad in the century after 1750, and there is no shortage of supply.

Even the work of a noted name in the field, like John Smart, active in the late 18th century, is quite modestly priced – if you have a fancy for an anonymous middle aged gentleman one by Smart might be acquired on Monday for under £2,000. Samuel Cotes is an artist of the same period, from the so called Modest School of artists which seem currently under-valued. His version of Lady Fanny Chambers might only cost £500. Other bargain areas are 19th century miniatures and miniatures on enamel, which have been cheaper than those on an ivory base: this could soon change.

Sotheby's and Christie's send their best continental miniatures to Geneva for auction, but on Monday there is a decorative portrait of the Empress Josephine by the noted French miniaturist Jean Baptiste Isabey at Christie's. The name, the artist, and the prettiness of it all should ensure a price of around £10,000.

The highlights at Sotheby's are preparatory drawings in watercolour for miniatures by John Smart. Such examples are rare and the estimates of £1,500 look low. But then this is a rather modest collecting area. Prices rise slowly but steadily. Most people buy miniatures in a particular area – children, soldiers, actresses; or buy a particular artist, or period, and tend to stay within their national boundaries. Christie's has only one Japanese collector on its books.

This is a discreet collecting passion, but once your eye is in and the subtleties begin to be appreciated, it can provide much pleasure.

Radio

Topical talk

SOMETIMES I have complained that radio has no substantial feature on current affairs, like television's *Panorama*. Certainly there is much inquiry and comment in *The World at One* and *The World Tonight*, better than those shots of victims' funerals and sorrowing relatives on television. There is also *File on 4*, on Radio 4 on Tuesdays and Wednesdays. This is well-informed and keenly presented, but shares a major fault with *Panorama* – the Radio Times seldom says what it is to deal with. An importantly topical feature can't always be ready in time for its details to go to press.

This week's *File on 4*, reported by David Levy, dealt with the current spate of document-leakage in Northern Ireland. It added detail rather than development (nothing bout this week's Anglo-Irish conference), but the amount of first-hand testimony, from every side, was interesting. Less interesting, but more common, were the recitals of ingrained prejudice. The program gave an idea that we in England can barely have of daily life in Northern Ireland.

Also on Wednesday was *Face the Facts*, another programme lacking advance detail. This week's examination of the Government sponsorship of a cyclotron at St.Thomas's Hospital for the fast-neutron treatment of cancer was alarming. Accounts of late side-effects after treatment, including a talk with a man whose jaw was virtually useless, who had to live on injected liquids, were deeply distressing; but despite medical advice, the Ministry's view is evidently unchanged. It would be good to know that people listen to programmes of this kind.

On Radio 2, nostalgia often outflanks news. On Tuesday, Michael Aspel presented *Nobody cried when the trains pulled out*, which was about guess what – the London children's evacuation in 1939. He was one of them. So were Derek Nimmo and Vince Hill and Henry Cooper, and they all had recollections for us.

Well, about four million children were evacuated, and a lot of them must still be surviving. It's not as if they went to the moon, or spied for the *Hitlerjugend*. One might as well have a feature about "I learnt to read" or "We tied our own shoelaces." Henry Cooper and Michael Aspel and the other 3,999,998 could do equally entertaining, equally insignificant programmes about those. I think "My first bath" might be a winner.

And so to news of the future: Gabriel Josepovici's play *Mr Vee* is nominated for a 1989 Prix Italia. Mr Vee, a famous painter, is to paint a family portrait of Rachel and Peter Mayor and their little girls, one of whom apparently has a verbal handicap. As the sitting is about to begin, Rachel's lover Michael unexpectedly arrives, and Mr Vee insists on including him in the group, coming in or going out by the door.

I confess that I often find Josepovici hard to follow, and I could not follow him far here. Mr Vee takes much trouble posing his sitters, using a couple of mirrors to provide the right effect. But what is the right effect? There is said to be a reference to Velasquez (Mr Vee!) and his *Las Meninas*, but that is not on my coffee-table. Maureen O'Brien and Geoffrey Whitehead were the Mayors, Peter Pacey was Michael, Clive Merrison Mr Vee and John Theocharis the director. Don't ask about the girls. Good luck for the Prix Italia.

Guy Meredith's *Clicktrack* (Radio 4, Wednesday), from a different mental stable, amused me better. A poor team in a poor film studio are making a poor film. The composer, Alec (Ian Targett) suggests that to save the sinking film he should write exciting music to link scenes that have been shot to make them a complete film. It doesn't happen, but there is much comic invention and a good company under Cherry Cookson's direction. The tale is told by an older, wiser Alec (Maurice Denham).

B.A. Young

Saleroom

Gold of El Dorado

***Homan Potterton** reports on the sale of the fabulous du Boisrouvray collection in New York*

EIGHT PAINTINGS and a pair of drawings by Guardi; nine windy beach scenes by Boudin; chalk drawings by Watteau; extensive collections of faience; a group of carved animals by Fabergé; gold, and jewellery: these are among the variety of art works from a family collection that are to be sold by Sotheby's, New York, next week.

The Collection is that of the late Count and Countess Guy du Boisrouvray and of the three sumptuous catalogues for the sale, one is devoted to the magnificent jewels of Luz Mila Patino, Countess du Boisrouvray. She was one of three daughters of the legendary Bolivian tin tycoon, Simon Patino, and many of the jewels in the sale were received as gifts from her mother. The remainder were purchased for her (with her own money) by her husband, Guy du Boisrouvray, who also acquired a few baubles for himself: some fancy diamond cravat holders (estimate $300,000-$450,000) and several sets of matching cufflinks and shirt-studs in diamonds, sapphires, rubies or emeralds (estimates between $7,000-$30,000). He had also some ordinary items like gold cigarette cases, pens, and watches that were designed as often as not by Van Cleef & Arpels. According to the couple's daughter, Albina du Boisrouvray, 90 per cent of the jewellery was worn by her mother, the remainder by her father.

The top lot is an emerald and diamond necklace made by Cartier in 1937 for Queen Isabella II, of Spain. Consisting of 12 emeralds with a total carat weight of 108.74 and 24 diamonds (total 59.36 carats), it is estimated at $1.5m to $2m and is sold en suite with a pair of earclips ($175,000-$225,000). There is a Van Cleef & Arpels necklace of four colossal Kashmir sapphires set with diamonds and one other sapphire ($1.5m to $2m). An exquisite diamond necklace of 272 stones, the largest of which is 10.5 carats, is estimated at $1m. Sotheby's say that the sale, which takes place on the evening of Thursday, October 26, is "the most important single-owner collection of jewellery to come to auction since the jewels of the Duchess of Windsor in 1987."

Next day, the du Boisrouvray collection of gold will be sold. Not just ordinary gold, but pre-Columbian gold: tiny sculptures and objects, most of which would have been worn as jewellery more than 1,000 years ago and then buried in tombs. Called pre-Columbian because it pre-dates Columbus, it can be as old as the first century AD, although much of it is dated approximately 800-1500 AD. It comes originally from Central and South America: Costa Rica, Panama, Colombia and Peru.

This is "the gold of El Dorado," as the British know it from the exhibition of that title held at the Royal Academy in 1978. The du Boisrouvray Collection numbers approximately 80 lots and, although Sotheby's have two pre-Columbian sales a year, this is the first single-owner sale to come under the hammer. It was purchased, piece by piece, by Guy du Boisrouvray from Andre Emmerich in New York. That was during the 1960s at a time when pre-Columbian gold was just becoming fashionable.

Guardi's view of the Dogana and Santa Maria della Salute, Venice

An 18-inch pendant necklace, which is estimated to sell at $25,000-$45,000, is the *pièce-de-résistance* of the Collection. It comes from the Coclé region of Panama and is made of a string of gold beads with 14 pendants in the form of alligators clinging to it by their mouths: it would originally have been used to adorn a corpse and the alligators were protective deities. There are also less elaborate necklaces, as well as ear ornaments, pectorals and pendants. Many are in the form of animals: cats, frogs, deer, lobsters, eagles, bats and monkeys; and they are beautiful. Estimates vary from about $300 for a simple pendant to $30,000 for a more elaborate one. Naturally, Andre Emmerich will be watching the sale with interest. He says that he expects most of the estimates to be doubled and points out that many of the most important collectors of pre-Columbian gold are now European.

Included in the same session of the sale are European and Chinese ceramics, a few items of furniture, a group of Fabergé carved animals and some domestic silver. Fifty-five French silver dinner plates by the Royal Goldsmith, Nicolas Besnier, are estimated (reasonably) at $120,000 to $180,000: they date from 1723 and are part of the Bateman Service. Most of the other silver is also French. Then there is a gold dessert service with plates, bowls, and cutlery. This is Mexican, dates from 1945 and is engraved with the du Boisrouvray arms. It will be sold in four separate lots with the plates averaging about $4,000 apiece.

The du Boisrouvray collection of paintings and drawings is small, with the core of the collection being a group of works by Guardi and Boudin. Highlight of the sale is a limpid view of the Venetian lagoon with the islands of S. Cristoforo, S. Michele and Murano by Guardi. Painted in the early 1760s, it is, as Guardi-scholar Sandro Bettagna points out in an essay in the catalogue, "a sublime example and one of the most beautiful of all Guardi's views." It is estimated at $3m to $4m. The other paintings by Guardi are more typical of his general style: a pair of Venetian views dating from the 1770s are estimated at $1.5m to $2m and a pair of tiny views of the Molo are suggested at about $250,000. The most highly-prized Boudin is also a view of Venice. Painted in 1895, it is estimated at $1m: quite an advance on the $23,000 it fetched at auction in New York in 1957.

Some few items from the Collection will not be auctioned next week. The du Boisrouvray Psalter, a 13th century French manuscript illuminated in Amiens, will be sold in London on December 5. Consisting of 212 leaves with eight full-page miniatures, 24 calendar roundels and eight large historiated initials, it is estimated at $1.2m to $1.8m. Together with a lesser French psalter of the same period, it is all that remains of the du Boisrouvray Collection of mediaeval manuscripts. Everything else was donated to the Bibliothèque Nationale in Paris and the entire proceeds of next week's sale will go to a charitable foundation established in memory of the du Boisrouvray's grandson.

Records

Mozart mania hots up

THE MOZART race is on. Between now and 1991, the bicentenary year commemorating Mozart's death, almost every record company of any size is planning to deliver a cycle of the mature Mozart operas, while one (Philips) is amassing a complete recorded edition featuring every surviving note that the composer wrote.

Whether James Levine is intending to deliver a Mozart cycle I do not know, but at the Salzburg Festival last year he certainly seemed to be everywhere. To walk into the Festspielhaus and hear his natural and affectionate performance of *Le nozze di Figaro* within an hour of arriving at the airport, as I did, was a most marvellous welcome. Mozart played by the Vienna Philharmonic Orchestra under Levine was surely all that Salzburg ought to be about. High hopes were thus entertained for the conductor's new set of *Cosi fan tutte*, recorded just a couple of months earlier last summer, but sadly the result is a disappointment. There can be no complaints as to the standard of orchestral playing from the VPO, which is graced with the same lyrical beauty and internal clarity of sound that distinguished their live performances on home ground. But what seemed to be the relaxed composure of a master of Mozart there in the pit is apt to sound more like a conductor's sluggishness on record.

The opera never really takes off. The recording quality puts us down in a studio, not "live" in an opera house, and the cast do not respond as though the show is for real. The most disappointing is Kiri Te Kanawa, on whose name sales of this new set no doubt depend. She has recorded the opera before, but her singing of Fiordiligi here has neither the radiance of tone for which she was renowned in the past, nor the compelling character that other singers have brought to the role.

Elsewhere there is a reasonable amount of good singing, but not much in the way of a spark to raise the dramatic temperature. Ann Murray makes an appealing, lightish-voiced Dorabella. There are very capable solo performances from Hans Peter Blochwitz as Ferrando and the spirited Thomas Hampson as Guglielmo, though the former is apt to be too generalised. Marie McLaughlin's strong Despina briefly sets the proceedings alight with her first aria and Ferruccio Furlanetto as Don Alfonso reminds us how effective a native Italian can be with Da Ponte's brilliant text.

Mozart: Cosi fan tutte. Kiri Te Kanawa, Ann Murray, Marie McLaughlin, Hans Peter Blochwitz, Thomas Hampson, Ferruccio Furlanetto, Vienna Philharmonic Orchestra/James Levine. DG 423 897-2 (3 CDs)
Schubert: Lieder Vol 2. Stephen Varcoe, Graham Johnson. Hyperion CDJ 33002 (one CD)
Schubert: Lieder Vol 4. Philip Langridge, Graham Johnson. Hyperion CDJ 33004 (one CD)
Schubert: Die Winterreise. Olaf Bär, Geoffrey Parsons. EMI CDC 7 49334-2 (one CD)

But ultimately the spirit of *Cosi fan tutte* – its sharpness of observation, its ability to show human nature twist and turn with a truthfulness that cuts to the bone – is missing and none of the singers is dominant enough to do anything about it. With so much Mozart locked up in record company vaults waiting for the magic combination of 1991 to open the door, it must be better to wait and see.

The bicentenary of Schubert's birth will not be with us until 1997 but in this case there is no need to hold back. Although the CD era is bringing us a number of major projects none is more welcome than the plan of Hyperion to record all the Schubert Lieder over the next eight years – a brave undertaking for a small company.

It has already brought its first fruits of reward. The opening volume of the cycle featuring Janet Baker, enthusiastically welcomed in this column last autumn, has just won this year's Gramophone award for best song recording. Two further volumes have since been issued and the general excellence of their planning and presentation has triumphantly confirmed the potential of the whole enterprise.

It is impossible to fault the skill with which Graham Johnson, as both guiding spirit and accompanist, has devised the programmes for the discs to date. Each has cannily taken into account the individual vocal personality of the singer, while striking an ideal balance balance between well-known and unfamiliar songs. I had never realised before how hard Schubert worked to perfect the essential simplicity of his style, which by no means comes naturally in his earliest pieces.

The second volume features Stephen Varcoe, a young baritone who has appeared with the Songmakers' Alamanac; and the fourth Philip Langridge. Neither is vocally perfect, for Varcoe's light baritone can lose quality at the top, while Langridge sometimes sounds hard-pressed in tone and ungainly in vocal line. But they both make these songs come alive with an eagerness to communicate that one would long to hear from many a more established Lieder singer.

If this is the result of working with Graham Johnson – the penetrating perception of his accompaniments suggests it probably is – the series holds a splendid promise that standards will be upheld in its subsequent volumes. How valuable it is when scholarship and first rate practical musicianship go hand in hand in one individual.

Finally, a note on a new recording of *Die Winterreise*. It will probably be years before Johnson's cycle climbs to this pinnacle of the song repertoire (which singer, I wonder, will raise Hyperion's flag at the summit?). But in the meantime Olaf Bär has committed a young man's interpretation to disc, marvellously intimate in the score's quietest pages, even if the emotions could sometimes hit home with a more specific verbal thrust. The prospects for Schubert at 200 look most encouraging.

Richard Fairman

ARTS

Artists and craftsmen out in the cold

William Packer argues that the Wilding report on arts funding has got it wrong

SUCH IS the general level of confidence in the Government's stewardship of the arts that news of an official report into its funding can only promote the deepest foreboding. Mr Richard Wilding, late of the Office of Arts & Libraries, was commissioned to the task, and last Wednesday his report was published as a Green Paper on which the Minister, Mr Richard Luce, has promised action within three months.

The stated purpose is to reduce the bureaucracy and increase the efficiency of those bodies by which public funds are channelled into the arts: the real purpose, evidently, is to save money. There is undoubtedly a serious case to be made for the reform of the Arts Council, but this is not it.

It was always anomalous to have separate councils serving design and the crafts and yet have the fine arts forced to fight for their slice of the Arts Council's cake against music, theatre, literature and the national companies. A Council for the Visual Arts might have much to be said for it, just as might a Council for Literature, with the national companies freed to make their case directly to the Treasury. Such new, smaller bodies would at least focus their efforts more precisely upon their particular disciplines.

But Mr Wilding thinks bigger is better, or at least more efficient. The regional arts associations have territory enough already, but he would like several to merge, among them Yorkshire Arts and Northern Arts, which already reaches from Berwick to Whitehaven. He might as well propose that Southern Arts reach from Southampton to Sheffield; the distance is the same. Did he consult the poor bloody infantry, who must cover the ground? What you wish to destroy, you first make unworkable.

Another proposal is to absorb the Crafts Council within the Arts Council, presumably to share the position of the present Fine Arts Department. Quite what would become of Crafts Council exhibitions is unclear. The Arts Council's own exhibitions department has been hived off to the South Bank Board, where its future programme has already been victim of economies brought on by expectations disappointed in other areas. The augury is not promising.

Who would benefit by such a move? Certainly not the community of fine craftsmen in this country, whose present robust condition across an extraordinary range of activity, is the principal justification for the Crafts Council's continuing existence. And its great virtue is its size, still small enough in its establishment to remain throughout in the closest touch with its constituency.

I must declare my interest: I served on the Council from 1980 until 1987, and have know of its achievements in difficult times. Having been encouraged to develop and grow through the 1970s and early '80s, complete with Royal Charter and splendid galleries in Waterloo Place, its subsequent running crises stemmed entirely from Government refusal ever to fund it adequately.

That it has continued to foster the crafts with such conspicuous success, even so, is one of the quiet triumphs of recent years. It is one for which the Government would not wish, I am sure, to take any credit. The Council, though still desperately underfunded, has put its house in order so well as to become modestly profitable — to the extent that its profits now match its salary bill, a rare feat indeed for a publicly funded institution. Soon its lease runs out, but I understand that new premises have been found, and at a rent per square foot half that which the Arts Council expects to pay when it moves to Westminster. So much for saving money.

No reader of this newspaper would deny the various achievements of this Government, but conduct of our cultural life is not one of them. If the true purpose of the Wilding report is to inhibit it further, honesty on the point at least would be welcome. There may be few votes in the arts, and other reasons to vote conservative, but even the most cynical of politicians might be given pause by the thought that the entire profession of the arts, director and curator, teacher, scholar and performer, artist and craftsman, is now widely and deeply alienated from the present administration. It is a condition the Wilding Report seems unlikely to improve.

Mad about the movies

Nigel Andrews previews the London Film Festival

THE LONDON Film Festival is here again: 33-years-old, teeming with celluloid, and like most arts institutions today gathering sponsors while it may. The 17-day movie blitzkrieg that begins on November 10th — "more films than ever before" pledges director Sheila Whitaker — comes to us by kind permission of, among others, American Airlines, DHL Air Express, Capital Radio, British Home Stores and Channel 4.

No wonder such plethoric patronage is required. If the LFF goes on growing at the rate it has been, the festival's roll of sponsors will soon have to include the Vatican bank, the estate of late Howard Hughes and the IMF. It has been my tradition each year, in previewing the festival, to count the movies and then to ask gently: "Might this be too many films? Might the festival be getting too indigestible for the average film fan and too undiscriminatingly structured for the serious cineaste?"

This year I took one look at the programme brochure, weighed it on the kitchen scales and decided that counting the films was out. Let us just say there are about a million. Ms Whitaker, to her credit, has helped us by arranging them in geo-political sections. Thus "Panorama UK" and "Panorama France" jostle with, say, "Three Continents: Africa" "Three Continents: Asia" or "USA Independents."

This means one can occasionally see bits of forest for the trees. But I am still puzzled by the festival's readiness to clutter our view of its top-quality films with a large number of blasted saplings and peculiar growths. Who on earth encouraged Ms Whitaker to select the Franco-Swiss-Belgian *Australia* (Jeremy Irons and Fanny Ardant in an insomnia-curing romance), or Israel's *Berlin Jerusalem* (a stilted lantern-slide lecture on early Zionism) or disappointing new films from Paul Cox (*Island*), Alain Resnais (*I Want To Go Home*) and Alain Tanner (*La Femme De Rose Hill*)?

Happily, the best of the festival year is here along with the worst. And the multiplying sideshows and sub-sections, unspooling in a wider than usual range of venues, helps the filmgoer make an informed choice of viewing rather than — as in the old days — being nailed down in cinema one or two of the National Film Theatre.

This year there is the Evening Standard Festival in the Square (Leicester Square), unwrapping a dozen brand-new Hollywood films (*Back To The Future II*, *Casualties Of War*, Brando in *A Dry White Season*.) There's a London Film-Makers Co-op programme, a Junior LFF and a National Film Archive season; the last boasting freshly restored golden oldies like *The Thief Of Baghdad* and *Sign Of The Cross*. And there are the country-by-country "panoramas." *Largest of these is Britain's: fifteen-odd new UK features by such as Jack Gold, Mike Hodges, Philip Saville and Colin Gregg.*

Most of these, due to be premiered at the festival, are unknown quantities to me. But among the broader mass of international films, rounded up from Cannes, Berlin and Venice *and herded into town* like a Western cattle-drive, I can and will recommend pedigree specimens. Pencils ready, please. Here are ten titles you should underline and asterisk in your LFF programme.

Ann Turner's *Celia*: spooky-funny tale of a girl's growing-up in 1950s Australia, at bay amid rabbit musters and *Communist witch-hunts*. Ettore Scola's *Che Ora E? (What Time Is It?)*: enchanting Italian comedy of father-son misunderstandings from the director of *Splendour*, with Marcello Mastroianni in top form. Hou Hsiao-Hsien's *City Of Sadness*: Venice Golden Lion winner, a 2¼-hour canvas of postwar Taiwanese history painted with glowing colours and a miniaturist's precision. Denys Arcand's *Jesus Of Montreal*: tale of a modern Jesus in a modern Passion, witty and potent despite moments of satiric glibness. Bill Bennett's *Malpractice*: scarifying "it could happen here" docu-drama about life-or-death mistakes in an Australian maternity ward. Maggie Greenwald's *The Kill-Off*: stylishly rough-hewn murder thriller from America, marrying Hitchcock to Cassavetes. Alejandro Jodorowsky's *Santa Sangre*: magic realism, blood-laced surrealism and a "Caligari"-style plot from the director of *El Topo*. Krzysztof Kieslowski's *A Short Film About Love*: a feature-length masterpiece from Poland's best new film-maker, blending love story and Peeping Tom thriller. Jane Campion's *Sweetie*: brilliant hallucinatory black comedy, about love, hate, families and the Australian dream. Idrissa Ouedraogo's *Yaaba*: tender tragicomedy of witchcraft, childhood and tribal life from Burkina Faso.

The festival lasts from November 10 to 26. The main venue is London's National Film Theatre, though the event spreads south as far as the Ritzy Brixton, north as far as the Screen on the Green. Gird up your stamina, book your tickets (NFT box office) and enjoy your viewing.

Scene from Brian de Palma's Casualties of War

Ligeti on the South Bank

THE SOUTH Bank's wide-ranging survey of György Ligeti began in the Festival Hall on Thursday evening with a concert by the Philharmonia, conducted by Esa-Pekka Salonen. But any sense of celebration was extinguished by the news of the death earlier in the day of the artistic director of the London Sinfonietta, Michael Vyner. He was 46, and had been painfully ill for two years; the concert was dedicated to his memory.

Ligeti was a composer long championed by Vyner and his orchestra; indeed there are few major figures in contemporary music whose works have not been part of the Sinfonietta's repertory in the 17 years in which he directed their formative years, and developed the organisation from its pioneering beginnings under David Atherton and Nicholas Snowman to a multi-faceted concert giver, with a string of important festivals and surveys to its credit. Without his industry and tireless enthusiasm, and the exemplary standard which he maintained in the orchestra, London's musical life would have been immeasurably impoverished in the last two decades.

By sad coincidence one of the two Ligeti works included in this opening programme was first heard in Britain at a Sinfonietta concert in the mid 1970s. *Clocks and Clouds* is a sublime example of what should now be called middle-period Ligeti, a marvellous confection of slowly drifting harmonies and tiny clockwork mechanisms, given added focus in this work by a choir of female voices, and strangely elegiac in mood. *Atmosphères* was the first score of Ligeti's to gain wide currency in the West, and remains the definitive statement of his highly personal view of modernism, which in many ways changed the way so many subsequent composers heard their own textures. What the "Ligeti by Ligeti" series celebrates, in ten programmes selected by the composer himself, is both the individuality of his vision of modernism, and the unexpected connections it makes with a whole range of 20th-century composers from Skryabin to Boulez, Janacek to Nancarrow, ans well as with cultures quite outside the European art-music tradition.

These Philharmonia performances under Salonen were by no means immaculate, but they gave a precise taste of the ways in which these concerts will make their points: the two Ligeti pieces were juxtaposed with Boulez (the orchestral *Notations*), Stravinsky (*Requiem Canticles*) and Shostakovich (the Second Symphony). Where the debts to Boulez and Stravinsky are obvious, mainstream ones, the inclusion of this wild piece of early Shostakovich — highly dissonant, fiercely constructivist, and the nearest Shostakovich ever came to the revolutionary aesthetic of the Soviet Union in the 1920s — shows a fascinating example of evolutionary convergence. No one suggests for an instant that such a piece was a direct influence upon Ligeti's own early experiments, but the symphony's extremely dense textures and centreless polyphony are strikingly *similar*, and *that* is precisely the kind of coincidence to appeal to Ligeti's teasingly oblique imagination.

The remainder of the festival promises many good things, not least a concert performance of the opera *Le grand macabre*, the first British performances of his seventh and eighth Piano Etudes, and the final version of his Piano Concerto. But every concert offers something to relish — perhaps a work rarely heard (such as the *Poème symphonique* for 100 metronomes) or an unqualified masterpiece (the Horn Trio). This series is unarguably London's major musical event of the autumn, even though its opening was overshadowed in such an unhappy way.

Andrew Clements

CHESS No. 794

1 Nd8! If Kxd8 2 Qf8+ Kd7 3 Rc7 mate. If Qe7 or Kd7 2 Nxe6! If Rxd8 2 Qf8+ Kd7 3 Rf7+ Kc8 4 Rxc7+ Kxc7 5 Qxg7+ and wins by advancing the g pawn.

Derek Jarman's "installation"

Elusive outrage in live art

THE NATIONAL Review of Live Art is an annual forum of new theatre and visual performance work, now in its ninth year, that juxtaposes invited professional artists with students. Over last weekend in the Third Eye Centre, Glasgow, this fascinating event confirmed that the interdisciplinary melt-down of dance, video, gallery work, performance and new music begun in New York in the 1970s proceeds apace in the late 1980s.

The one serious area of weakness is physical expertise. Groups from Bristol University (Bodies in Flight) and Dartington College (3A) have absorbed the influence of Pina Bausch and Jan Fabre without — and this is absolutely crucial — bothering to train as dancers. At least the first, in *Deadplay*, achieved a degree of assurance in their dance cabaret of resurrection to the accompanying blasts of a Wagnerian soundtrack. The choreography of violence and submission between three boys and a girl includes a gratuitous squirting match with tomato ketchup.

Much worse was 3A's incompetent steal from Bausch's *Kontakthof*, the kiss and the kick in the groin ending in disorientation and solitude by a ground-level bank of 1950s lampshades. The fallacious assumption here is that the urge to self-expression alone makes interesting art; technique is a dirty word, and I do not see how educational colleges like Dartington, and Crewe and Alsager can encourage the urge without the other.

Nikki Millican, the NRLA's organiser, says that lack of money is always a threat. This five-day event cost £43,000 to mount, scraped together from the Scottish Arts Council, Strathclyde Region, Glasgow District Council.

That elusive sense of outrage was only evident thanks to comparative old-timer Derek Jarman, who offered his first gallery work since he exhibited at the ICA in 1984. This was a Clause 28 installation of ferocious power and untrammelled passion. Homo-eroticism fought back at homophobia. It is extraordinary that, at this late stage, the show seemed absolutely necessary.

In the gallery's centre, two naked men in a bed boarded off by barbed wire, read magazines and newspapers. Mattresses pinned to the surrounding wall were collage bases for literature, photographs, clothing. Finally, these mattresses and their defiant stuccoes had been tarred and feathered like so many victims of sectarian pillory and violence.

A central pillar was plastered with pages of tabloid newspaper hysteria about the homosexual peccadilloes of public figures. The Sun bellows "Friends, Romans, Countrymen, lend me your REARS: Writer says William Shakespeare was gay." There follow gloating reports of the deaths from AIDS of Rock Hudson and Bill Gibb. Jarman asks where lies the true obscenity: in his flagrant pleas for sexual freedom; or in George Gale's equation of homosexuality with murder.

Back in the cool performance zones, contact with the real world was at least made by Fast Food Zoo in *33⅓ Revolutions Per Minute*. Their sub-Pausch slappings and rushings proposed unconvincing connections of scenographic repetitions and alienatory pelvic thrusts with Charles Darnay's farewell to France, Kate Adie's recent reports from the Peking and the theme tune from *The Dambusters*. The show was, however, rich and seductive in its imagery.

Elsewhere, David Izod from Dartington College conducted an imaginary correspondence with Spalding Gray, having invoked Gray's *Swimming to Cambodia* as an inspiration. Unfortunately, it only inspired Izod, a doggedly ungifted performer, to ramble on from a typed script about his mother's death from cancer. The projects of New York performance art to which Izod relates created full scale masterpieces by Robert Wilson and Richard Foreman. Even on a ten bob budget, Izod's incursion is an act of both ignorance and arrogance.

Jason Bowman's *The Encyclopedia of Owl Pellets* makes the terrible mistake of involving physically disadvantaged performers in a scenario about precision. This demonstrated more clearly than any other event how the language of live art can so easily become a fancy mannerism. The execution was fuzzy and random. A half-naked refugee from Sankai Juku with her feet in a tub read aloud, badly, fascinating weird facts.

Much the best poetic synthesis of new style and performance art values as pioneered in this country by Jeff Nuttall and the People Show was *Signal Box* presented by the Damned Lovely, aka Nicola Malin and Christopher Heighes, graduates of Dartington. They played sibling Italian railway box officials, their semaphore ballet interrupted by satires on art history, anagrammatic toyings with letters signifying the death of a queen, lamps and a wind-up gramophone with 78 rpm opera records.

Also worth catching was *3 or 4 Composers Grapple With the Notion of English Song*, a fascinating portfolio of sub-Glass, sub-Reich music splendidly sung by Melanie Pappenheim. Humour and fun being rare in this field of art, I particularly enjoyed Crane's witty hymns to the new cool puritanism, "Big Hassle Bonking."

Michael Coveney

Literary lust for life

SPOKEN, COLLOQUIAL, Spanish, peppered as it is with sexual innuendoes, must be one of the most foul-mouthed languages in the world. When the expletives pour out in more polite and refined society the way to save face is to add quickly "as Cela would have said."

Camilo Jose Cela, the Nobel literature prizewinner, is revered in Spain with the awe that latins in general reserve for intellectuals and *hommes de lettres*, but he is genuinely loved, in part, because he has made everyday language respectable.

The story is told of how King Juan Carlos rang him up in 1977 to tell him that he proposed to appoint him a senator in the first post-Franco parliament. "What do you say to that, Camilo," asked the monarch. "I'm (expletive deleted) your Majesty, but thank you very much" came the reply.

The fact that Cela has written brilliant prose is of less importance in a country where authors are as admired as they are little studied. But with his excesses, his passions, his conceits, his showmanship and his opportunism Cela has made life's peccadilloes easier to bear. He argues that the seven cardinal sins should be revised and updated: "There are some truly vile sins such as envy and avarice but lust and gluttony, for example, are extremely honest entertainments."

Don Camilo, as he is known up and down the country, practices what he preaches: he has a vast girth and he has recently set up home with a blonde who is 40 years his junior.

Cela wrote extremely good books about the Spanish Civil War and the hungry years that followed and was the prime of exponent of what critics call realism. And although few in a nation that has the lowest newspaper readership in Europe have read *La Familia de Pascual Duarte*, (Pascual Duarte's Family), *La Colmena* (The Hive) and *San Camilo 1936*, but it is taken as gospel everywhere in Spain that Cela wrote about that searing period as it really was.

Towards the end of the 1940's Mr Cela donned corduroy trousers, a peasant smock, a black beret, a shepherd's leather backpack and leather wine bottle and toured *pueblos* in the depressed area of the Alcarria, North East of Madrid. He later published *Viaje al Alcarria* (Journey to the Alcarria) that again was an honest, tender and angry by turns, picture of what Spain was then.

In 1986 he returned to the area but this time in a Rolls Royce chauffered by a statuesque *black lady in* a white uniform. *Nuevo Viaje al Alcarria* added nothing to his literary reputation but the people in the Alcarria loved it.

Cela may be little translated and even less known outside the Spanish speaking world, but few authors can be so warmly liked in their own country as is this year's Nobel Laureate.

Tom Burns

SPORT

A black cloud hangs over Wales

***John Kitching** looks at the major issues on rugby's agenda this season*

FIRST THINGS first. It is October, the rugby season is upon us, and already the game has set its own agenda for the season. Topics for debate include the old chestnuts of professionalism, violence on the pitch, and newer ones such as the effect of competitive national leagues and the parlous state of the game in Wales.

In the midst of these debates the All Blacks are in Wales and Ireland, Fiji in England and Scotland, Western Samoa here and there and Wales coach John Ryan is wondering why his national XV lost to Bridgend. Ryan and his selectors have only two weeks to work out a game plan for containing the New Zealand All Blacks, who today face Swansea.

I think it was Alistair Hignell, Cambridge University captain in the 1970s, who said to his players before a game against Gloucester: "This is the ball. Take a close look at it, because it's probably the last time you'll see it this afternoon." They could well be the words of the Swansea captain to his team before they play the All Blacks today. Possession is nine tenths of the lore.

They say that at St Helens, Swansea, they do one of the best post-match teas to be found anywhere. As the wind sweeps in from Mumbles and the lights go on in Townhill, the Swansea players could this afternoon be forgiven for thinking of bacon and laverbread, of Welsh cakes and bara brith. For there will have been little comfort from the All Blacks. They have already disposed of Cardiff (25-15) and Pontypool (47-6).

After the relative delirium following the Lions victories in Australia, and the more recent win over France, it seems strange to be talking of British teams in such a dismissive way. But these All Blacks – even allowing for early tour jitters – are heads and shoulders above Australia. They are in a different league.

Wayne Shelford's touring party may not be the greatest ever, but it has perhaps only one major weakness: the absence of the extraordinarily good flanker Michael Jones, who has a knee injury which threatens to end his playing career. There are eight new All Blacks – four backs, four forwards – one of whom promises great things. He is the winger Va'aiga Tuigamala who, although only 20, is being favourably compared with fellow wing man John Kirwan. He has blistering pace, an audacious sidestep and weighs nearly 15 stone. Kirwan's tour is already over as an achilles tendon injury, sustained at Pontypool, meant an immediate operation.

In the forwards, look out for 22-year-old locks Ian Jones and Steve Gordon, both 6 ft 6 ins tall and no doubt well versed in the New Zealand training method of running up a mountainside with a sheep under each arm. Captain Wayne Shelford himself is not assured of a Test place in Cardiff. He has Auckland No 8 Zinzan Brooke breathing down his neck. In the backs, Auckland's Craig Innes, only 20, is being hailed as the natural Test successor to Joe Stanley, now 31. Matthew Ridge looks a real prospect at full-back.

In the last three encounters with New Zealand, Wales have conceded 155 points – 49, 52, 54 – including 26 tries. Wales have scored 18 points and two tries. New Zealand are World Cup champions; Wales recently lost to Bridgend (who had their three best players in the Welsh XV). It doesn't look good for Wales.

One difference between New Zealand and Wales lies in the All Blacks' professional approach to the game. Jonathan Davies, the former Wales fly-half, who now plays Rugby League for Widnes, says in his recently published autobiography* that both New Zealand and France "have long dropped any pretence that their players don't get considerable rewards from the game."

New Zealand centre Walter Little tackled by the Pontypool defence

The release of Davies' book coincides with a more vigorous than usual debate about professionalism in the Home Unions and France. Davies says that in 1987, before moving from Neath to Llanelli, he was approached by two English clubs, each offering a job, house and car. He writes: "Some day, someone is going to explain to me what is the difference in principle between the Widnes offer and those I received from the two Union clubs. They were an attempt to persuade me to move by offering financial rewards, and they differ only in degree."

He also declares that the Inland Revenue may know more about professionalism than the Rugby Football Union would care to know. "I've often thought that if the Inland Revenue ever made public the tax returns of Rugby Union players, British Rail would have to lay on extra north-bound trains to cope with the rush. But the Revenue keep faith with their customers and Rugby Union can carry on with the myth that it is an amateur game, keeping at bay the evils of commercialism."

Davies does not want the game to become entirely professional. But he does want some allowance for peripheral earnings.

Several of the touring All Blacks are examples of what he means. Wayne Shelford has turned himself into a company and his agents were asking £500 for interviews and personal appearances in Britain and Ireland. John Gallagher, the full-back, who learned his rugby in south London, has also formed a company, aimed at promoting John Gallagher. However, the Rugby Football Union has stepped in and has received assurances from both players that they as individuals will not ask for or accept any such fees on this tour.

Meanwhile, England and the International Board are pursuing apparent breaches in the amateur regulations in France. The matter has become an embarrassment for Albert Ferrasse, president of the French Federation. England are trying to find out how Daniel Verdes, who was allegedly paid £6,500 as a rugby league international last season, has been allowed to join Agen rugby union club - Ferrasse's own side.

England have written to the International Board seeking an inquiry into the alleged recruitment of Rugby League players by Union clubs and the admission of Le Pontet, a Rugby League club, to the Rugby Union Federation.

Ferrasse has conceded that some French clubs received grants of around £100,000 from their local councils to help with costs, including player recruitment.

In New Zealand the All Blacks, who have, of course, the status of national heroes, regularly endorse products in television advertisements. For them, rugby is a way of life in all respects.

If professionalism is high on rugby's agenda this season, so too is thuggery. Perhaps its most public manifestation was Gareth Chilcott's punch in Bath's match against Gloucester, which led to his sending off. His club colleague John Hall recently got his marching orders, too. But there was an even more unsavoury incident in the recent Rugby vs Richmond game which left a prop forward with his nose so badly broken that it could not be reset for several hours because of the outpouring of blood.

Recently the highly respected international referee Clive Norling said: "I am extremely worried by the amount of kicking in ruck situations. People who aim at heads must be sent off." The game is only as good as its referees and its players, as the match between Harlequins and Swansea two weeks ago demonstrated with an appalling viciousness.

It was interesting to note that Eddie Butler, former captain of Cambridge University, Pontypool and Wales, said a few weeks ago that the game was less violent now than in the mid-1970s.

I'm not sure he is right, but certainly we have had no repeat at first class level of the occasion in 1986 when George Crawford, a respected referee, walked off the pitch in the middle of a match between Bristol and Newport. He left the field in protest at what he called "a street fight" among the forwards.

As a result, he was reprimanded severely by the Rugby Football Union and resigned from its list of officials. But he was supported by the London Society of Referees and later returned to the game.

Many followers of the sport sympathised with Crawford, if not with his actions. It is only if referees take a firm line on violence that it can be eradicated or at least reduced. Wilfully dangerous players must be sent off.

**Jonathan – An Autobiography*, Stanley Paul, £12.95.

Let's hear it for promoters

John Barrett thinks that the entrepreneurs of the tennis world deserve our admiration

THEY ARE the unsung heroes of the tennis year. Without them there would be no men's or women's circuit and no player millionaires. Yes, the promoters and entrepreneurs of the tennis world are an enterprising group of men and women who deserve our admiration. They take most of the risks, all the flak and little of the credit.

They hope to make a handsome profit, too, and in a good year they do. But such has been the escalation in prize money that it is becoming difficult to finish in the black. For example, the rewards at the 75 men's tournaments of the new 1990 ATP tour will total $38.6m (not including the four grand slam tournaments), which is almost double this year's prize money.

Tournament directors come from a variety of backgrounds. Some are former players like my old friend Barry McKay, who has run the popular San Francisco tournament for the past 19 years. Next year his will be the first stop on the ATP tour. I hope the recent tragedy there will not prevent the tournament from taking place.

Clive Bernstein, a former chairman of Queen's Club, could play a bit, too. He brings a shrewd business brain to the Stella Artois tournament which acts as a curtain-raiser to Wimbledon each year. By teaming up with the Ian Wight Organisation, which looks after so many of Whitbread's other sporting sponsorships, Clive has produced a high profile event that is also a great commercial success.

Marilyn Fernberger would never claim to have been a player, except in a social sense, but, as her friends would confirm, this industrious Philadelphian is an extraordinarily persuasive woman. With her husband Ed, a successful local builder, Marilyn has worked tirelessly to develop the 28-year-old US Pro Indoor Championships into the largest indoor tournament in the world and the second largest tournament in America behind the US Open. By making it a social necessity to be seen at it, Marilyn regularly attracts more than 90,000 spectators to Philadelphia's Spectrum stadium.

However, Marilyn and Ed are even prouder of the fact that their non-profit organisation has ploughed back the tournament surplus each year into tennis development programmes for underprivileged younsters. More than $3m has been donated to this cause.

In Hong Kong it is Ken Catton, a former government employee, who has masterminded the growth of professional tennis in the colony. After successful early years in the 1960s when Rod Laver, Ken Rosewall and Jimmy Connors were winning, the Hong Kong tournament struggled to attract the top names to its regular series grand prix event. Seven successive appeals for an upgrade to super series status were turned down by the Men's Tennis Council (a shameful dereliction of duty that has harmed Asian tennis), so last year the Hong Kong Tennis Patrons Association reluctantly decided to abandon the grand prix to go it alone. As a special event the Marlboro championships were a huge success.

The second meeting, from which I returned last Monday, was equally successful with defending champion Miloslav Mecir beating the popular favourite Michael Chang in an absorbingly skilful final.

Horst Klosterkemper is a Dusseldorf businessman. He is also a most unusual individual. As the tournament director of the Peugeot World Team Cup, the official ATP team championship for the eight leading nations, Horst presides over one of the most charming events of the year which is staged in sylvan splendour at the leafy Rochusclub. Yet Horst gains no financial reward from his year-round labours. He says he does it because tennis is his hobby.

Another German, Axel Meyer-Woelden, will have to be much more concerned with profit. He is the brave man who has guaranteed to generate at least $8m for the International Tennis Federation in staging next year's inaugural Grand Slam Cup to be held somewhere in Germany from December 10-16. The details of this eight-man round-robin event were announced yesterday by the ITF's recently-formed grand slam committee.

With $6m in prize money – including $2 to the winner and $1m to the losing finalist – this will become the richest tournament ever. Eligibility for the eight places – and the two alternates who will each receive $75,000 just for turning up – will be based on performances in the four grand slam championships plus the Davis Cup.

The Grand Slam Cup seems certain to upstage the $2m ATP championships which will be played in Frankfurt during the week of November 12 and appears to be the Establishment's answer to the players who last year broke away from the official game to form their own circuit. Equally importantly, the Grand Slam Trust Fund, established in 1986 to help players from less fortunate countries compete on the world's circuits, will receive more than $2m next year.

Nearer home, George Hendon will be presenting his 12th women's tournament at Brighton. The $250,000 Midland Bank championships will have the world champion and title holder, Steffi Graf, in action once again.

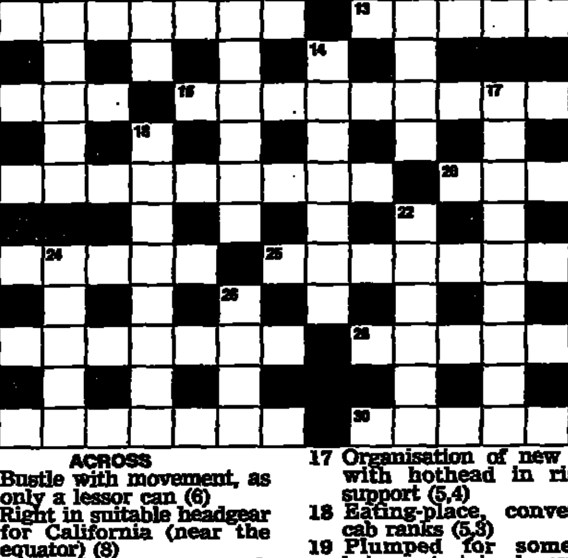
All this is a far cry from George's first venture into sponsorship in 1963 when he was with Rothmans of Pall Mall. Little did he realise that his company's modest support for the Kent championships at Beckenham that year, the world's first commercial tennis sponsorship, would spawn an industry that today turns over in excess of $100m.

It would be nice to think that some of the players at the Brighton Centre next week might pause to reflect on their good fortune and remember how much all of them owe to George Hendon and his colleagues around the world. Life being what it is, I doubt if any of them even care.

CROSSWORD

No. 7,069 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday November 1, marked Crossword 7,069 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday November 4.



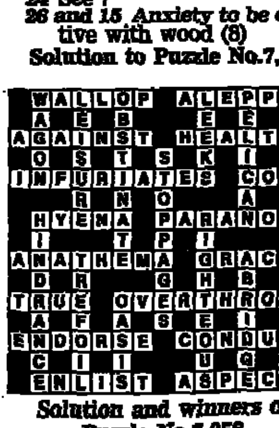
ACROSS

1 Bustle with movement, as only a lessor can (6)
4 Right in suitable headgear for California (near the equator) (8)
9 Insufficient time agreed – bound to go (6)
10 Vote at home, first one with lots of grains (8)
12 Pies cooked in expectation of gardener's aid (4,4)
13 Is there potential in that grand US feature? (6)
15 See 26
16 Shield against rays of little weight to single hen (5,5)
19 and 23 Warmer of the world's feet: refuge chosen unexpectedly (10,6)
20 and 5 Start drawing sledge with space that grows fast (8)
23 See 19
25 Dog from Yale, possibly, in bogus surroundings (8)
27 Overvaluation of (for example) Lord Byron's be confounded! (8)
28 Blank letters show there's something afoot (6)
29 Separate – it's tactful, we hear (8)
30 Something burnt in vehicle (good translation) (6)

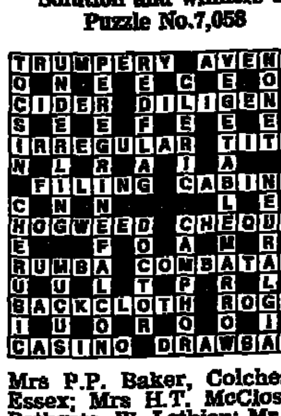
DOWN

1 Address to compiler in exhibition by hook or crook (7)
2 Eating-place makes money on lake (9)
3 English upper class takes hanging across the water (6)
5 See 20
6 Friend born within boundary, it's very clear (8)
7 and 24 Insubstantial sweet can shake down with squashed fly put in (5,5)
8 King emperor, nothing less, needs plates (7)
11 Parasite with nothing on after oriental fastener turned up (7)
14 Flavouring and including evidently (7)
17 Organisation of new cult with hothead in rising support (5,4)
18 Eating-place, converted cab ranks (5,3)
19 Plumped for someone being entertained, say (7)
21 Royal court? (7)
22 Russian composer's connection in Georgia (6)
24 See 7
26 and 15 Anxiety to be effective with wood (8)

Solution to Puzzle No.7,068



Solution and winners of Puzzle No.7,058



Mrs P.P. Baker, Colchester, Essex; Mrs H.T. McCloskey, Bathgate, W. Lothian; Mr D.S. Perkins, Gerrards Cross, Bucks; Mrs M. Robinson, Feltham, Middlesex; Mrs Alice Wood, Burnley, Lancs.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

8:00 am New Adventures of Mighty Mouse. [illegible]

BBC2

[illegible]

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth 2. 11:30 The ITV [illegible]

CHANNEL 4

[illegible]

S4C WALES

[illegible]

IBA Regions as London except at the following times:

ANGLIA

[illegible]

BORDER

[illegible]

CENTRAL

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

SCOTTISH

[illegible]

TSW

[illegible]

TVS

12:30 pm International Surfing - Hot Tuna Surfing.

TYNE TEES

[illegible]

ULSTER

[illegible]

YORKSHIRE

[illegible]

RADIO

[illegible]

RADIO 2

[illegible]

Clint Eastwood stars in *Tightrope*, London, 11pm

RADIO 3

[illegible] tello and others performed at the Lufthansa Festival of Baroque Music by Cappriccio Stravagante with Guillemette Laurens (mezzo); and at 2:18 Robert Cohen (cello) and Alan Gravill (piano) at the Bath Festival: Bach [illegible]

RADIO 4

[illegible]

SUNDAY

†Indicates programme in black and white

BBC1

[illegible]

BBC2

[illegible]

LONDON

[illegible]

CHANNEL 4

[illegible]

S4C WALES

[illegible]

ANGLIA

[illegible]

BORDER

[illegible]

CENTRAL

[illegible]

CHANNEL

[illegible]

GRAMPIAN

[illegible]

GRANADA

[illegible]

HTV

[illegible]

HTV WALES

[illegible]

SCOTTISH

[illegible]

TSW

[illegible]

TVS

[illegible]

TYNE TEES

[illegible]

ULSTER

[illegible]

YORKSHIRE

[illegible]

RADIO

[illegible]

RADIO 2

[illegible]

RADIO 3

[illegible]

RADIO 4

[illegible]